A REPORT
TO THE
ARIZONA LEGISLATURE

Division of School Audits

Special Study

Arizona School District Spending (Classroom Dollars) Fiscal Year 2011

February • 2012
Report No. 12-02

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

Debra K. Davenport
Auditor General

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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

February 29, 2012

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

I am pleased to present our report, *Arizona School District Spending (Classroom Dollars), Fiscal Year 2011*, prepared in response to the Arizona Revised Statutes §41-1279.03 requirement to determine the percentage of every dollar Arizona school districts spend in the classroom. The report also analyzes nonclassroom spending, which includes administration, plant operations, food service, transportation, student support, and instruction support. To provide a quick summary for your convenience, I am also including a copy of the Report Highlights.

Between fiscal years 2001 and 2009, Arizona's total operational spending per pupil increased 47 percent before decreasing 5 percent between fiscal years 2009 and 2011. Despite this overall increase, Arizona's per-pupil spending continues to trail the national average by nearly $2,700. Arizona districts also allocate resources differently than districts nationally, spending lower percentages of available operating dollars on instruction and administration, and higher percentages on plant operations and student support services, on average.

Arizona's state-wide average classroom dollar percentage in fiscal year 2011 was 54.7 percent, a record low since our Office began monitoring classroom dollars 11 years ago. The decline in the instructional percentage indicates that many districts are shifting monies previously spent in the classroom to other operational areas.

Although factors outside a district's control—such as district size, type, and location—can affect its efficiency, some districts operate efficiently and have lower costs despite these factors, while others do not. As a result, there are wide ranges of costs within peer groups of similar districts. Performance audits have identified a number of practices used by efficient districts, such as minimizing staffing levels, conserving energy, and effectively managing vendor contracts. Audits have also identified practices that make other districts less efficient, such as having costly benefits packages, operating schools far below designed capacity, and paying employees for time not spent working.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on March 1, 2012.

Sincerely,

Debbie Davenport
Auditor General

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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

Arizona School District Spending Fiscal Year 2011

REPORT HIGHLIGHTS
SPECIAL STUDY

Our Conclusion

Between fiscal years 2001 and 2009, Arizona's total operational spending per pupil increased 47 percent before decreasing 5 percent between fiscal years 2009 and 2011. Despite this overall increase, per-pupil spending in Arizona continues to trail the national average both in total and in the classroom, with the classroom dollar percentage reaching a record low 54.7 percent in fiscal year 2011. Each year since fiscal year 2004, districts have decreased the percentage of their resources they allocated to the classroom. Further, this shift in spending out of the classroom accelerated in fiscal years 2010 and 2011. Although factors outside a district's control—such as district size, type, and location—can affect its efficiency, some districts operate efficiently and have lower costs despite these factors, while others do not.

2012

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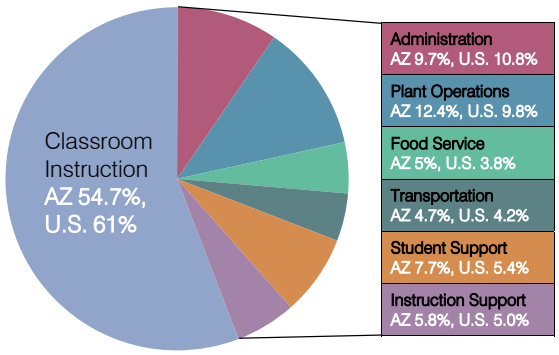
Arizona school districts spend less overall and spend differently than districts nationally

Compared to national averages, Arizona districts spend less overall and allocate their resources differently.

Despite large increase, overall spending still lower—Between fiscal years 2001 and 2009, Arizona's spending per pupil rose 47 percent before declining 5 percent between fiscal years 2009 and 2011. Despite this overall increase, Arizona's fiscal year 2009 per-pupil spending of $7,908 was still nearly $2,700 less per pupil than the 2009 national average (most recent national data available).

Arizona and U.S. Spending by Function
Fiscal Years 2011 (Arizona) and 2009 (U.S.)



Arizona spends lower percentage in classroom—In 2011, Arizona districts spent 54.7 percent of their total operating dollars in the classroom, over 6 percentage points below the national average of 61 percent. Arizona's lower instructional spending is reflected in Arizona's larger class sizes. In 2009, Arizona's class size was 17.1 students per teacher compared to the national average of 15.3 students per teacher. By fiscal year 2011, Arizona's class size grew to 18.1 students per teacher.

Arizona spends lower percentage on administration—In 2011, Arizona districts spent 1.1 percentage points less than the national average on administration. This lower spending is primarily in salaries and benefits.

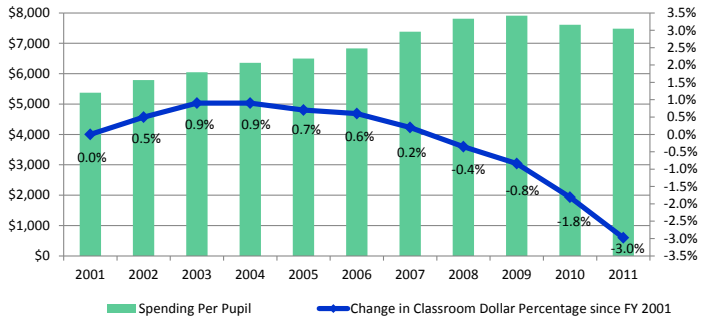
Arizona spends higher percentage on plant operations and student support—In 2011, Arizona districts spent 2.6 percentage points more on plant operations than the national average primarily because Arizona spends more on energy. In addition, Arizona districts spent 2.3 percentage points more on student support costs, such as counselors and social workers, possibly because a higher percentage of Arizona's students live at or below the poverty level and require more of these services.

Classroom spending drops to record low 54.7 percent

In fiscal year 2011, Arizona districts spent 54.7 percent of their available operating dollars on instruction—the lowest in the 11 years our Office has been monitoring classroom dollars.

Classroom spending decline continued and accelerated—The decline in instructional spending in fiscal year 2011 is partially explained by the decline in both available Classroom Site Fund (CSF) monies and overall per-pupil spending. However, as shown in the figure on the next page, the percentage spent on instruction has decreased every year since fiscal year 2004. Further, this shift in spending out of the classroom accelerated in fiscal years 2010 and 2011. Total operational spending over this 2-year period decreased by $423 per pupil. Of this amount, 94 percent, or $399 per pupil,

Arizona's Operational Spending Per Pupil and Change in Classroom Dollar Percentage Since Fiscal Year 2001
Fiscal Years 2001 through 2011



came from the classroom. As a result, the percentage of available operating dollars allocated to the classroom has decreased 2.2 percentage points since 2009, while the percentages spent on administration, plant operations, food service, transportation, student support, and instruction support have all increased.

Efficient districts are able to allocate more of their resources to instruction— Performance audits show that efficient districts are able to allocate more of their resources to instruction.

Efficient and inefficient districts come in all sizes, types, and locations

Although a district's efficiency can be affected by factors outside its control—such as its size, type, and location—some districts operate efficiently and have lower costs despite these factors, while others do not. As a result, there are wide ranges of costs within peer groups that reflect a variety of efficient and inefficient practices. For example:

While one small, rural unified district spent $931 per pupil on administrative costs, another spent $3,075 per pupil.

Administration—Small districts typically have higher administrative costs per pupil than larger districts, but even when grouped by size, some districts spend considerably less on administration than their peers. More efficient districts monitored performance measures and used staffing formulas, while less efficient districts had costly benefit packages and higher staffing levels.

Plant operations—Districts serving high school students generally have lower plant costs per square foot because they generally have more square footage than elementary schools. However, even among similar districts, there is a wide range of costs. More efficient districts typically had energy conservation plans and monitored performance measures, such as building capacity utilization. In contrast, less efficient districts operated schools far below designed capacity and did not monitor energy consumption.

While one medium-sized, urban elementary district spent $4.87 per square foot for plant operations, another spent $8.99 per square foot.

Food Service—Although food service costs are likely influenced by district size, type, and location, the wide ranges of cost per meal across peer groups indicate that operational efficiencies can be achieved regardless of these factors. More efficient districts maximized use of free federal commodities and adjusted staffing levels based on industry standards for meals per labor hour, while less efficient districts did not obtain best food prices and had poorly written vendor contracts.

While one small, rural unified district spent $2.06 per meal, another spent $4.36 per meal.

Transportation—Urban districts that travel short distances typically have higher costs per mile than their rural counterparts. However, even among districts grouped by location, there is a wide range of costs. More efficient districts monitored performance measures and adjusted routes to ensure that buses were full, while less efficient districts paid drivers for time not spent working and failed to monitor vendors for accurate billing and effective performance.

While one medium-large-sized, urban elementary district spent $3.21 per mile, another spent $9.88 per mile.

Arizona School District Spending Fiscal Year 2011

A copy of the full report is available at:
www.azauditor.gov
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REPORT HIGHLIGHTS
SPECIAL STUDY
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Introduction & Objectives

Arizona Revised Statutes (A.R.S.) §41-1279.03, requires the Auditor General to monitor the percentage of each dollar spent in the classroom and conduct performance audits of Arizona's school districts. This report, the 11th annual report analyzing school district spending, has two main objectives:

- It compares Arizona and national spending levels and analyzes state-wide spending trends in seven categories—instruction, administration, plant operations, food service, transportation, student support, and instruction support. The following analyses of each of these spending areas also identify performance measures, differences among district peer groups' spending, and performance audit findings.

- It also presents more specific one-page summaries of the State's and each district's performance on various financial and student achievement measures. Specifically, each district's expenditure information, including classroom and nonclassroom spending, and performance cost measures are compared with state averages and averages of an efficiency peer group, which includes districts of similar size, type, and location. In addition, each district's academic indicators and student and teacher information are compared with state averages and averages of a student achievement peer group, which includes districts with similar poverty rates and of similar type and location. The summaries also include each district's Proposition 301 teacher performance pay plan goals and results.[1]

The Appendices provide reference information including sources and descriptions of information used in the district pages (Appendix A, see pages a-1 through a-4), lists of districts in each efficiency and student achievement peer group (Appendix B, see pages b-1 through b-10), and sources and methodology for the state-wide analysis (Appendix C, see pages c-1 through c-3).

The information used to prepare this report was not subjected to all the tests and confirmations that would normally be performed during an audit. However, to help ensure that information used in this report was complete and accurate, auditors performed certain quality control procedures, such as year-to-year comparisons of district-reported data. Appendix C (see pages c-1 through c-3) contains a detailed discussion of the scope and methodology employed during this study.

The Auditor General and her staff express their appreciation to the Superintendent of Public Instruction, the staff of the Arizona Department of Education, and the staffs of the Arizona public school districts for their cooperation and assistance during this study.

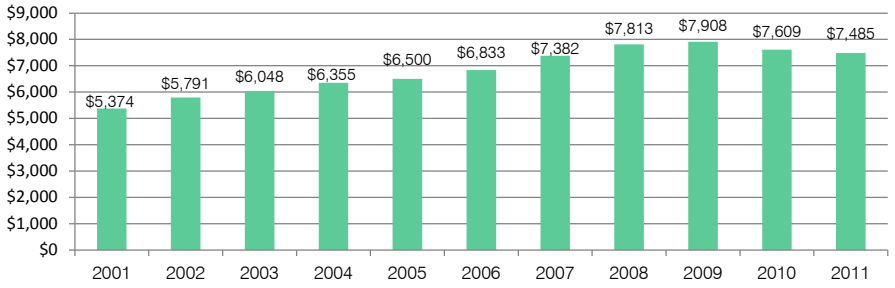
[1] In 2000, voters approved Proposition 301, which raised the state sales taxes and provided additional funds for education, primarily for teacher pay. Districts began receiving these Classroom Site Fund (CSF) monies in fiscal year 2002 and are required to direct 40 percent of CSF monies to teacher performance pay.

Arizona Spending Trends and the National Context

Total operational spending increased 47 percent between 2001 and 2009, then declined 5 percent between 2009 and 2011

As shown in Figure 1, since fiscal year 2001, total operational spending per pupil by Arizona school districts increased steadily before declining slightly in fiscal years 2010 and 2011. Between fiscal years 2001 and 2009, per-pupil spending increased 47 percent from $5,374 to $7,908. However, since that time, per-pupil spending has decreased 5 percent to fiscal year 2011's spending of $7,485 per pupil. Between fiscal years 2001 and 2009, 55 percent of the increase in spending went into the classroom. In contrast, between fiscal years 2009 and 2011, 94 percent of the decrease in spending came out of the classroom. From fiscal year 2001 through fiscal year 2004, as the percentage spent on instruction initially increased, the percentages spent on administration and plant operations decreased. Since fiscal year 2004, as the percentage of resources spent on instruction decreased, spending on all other noninstructional areas increased, especially instruction support, student support, transportation, and plant operations.

Figure 1: Arizona's Operational Spending Per Pupil
Fiscal Years 2001 through 2011



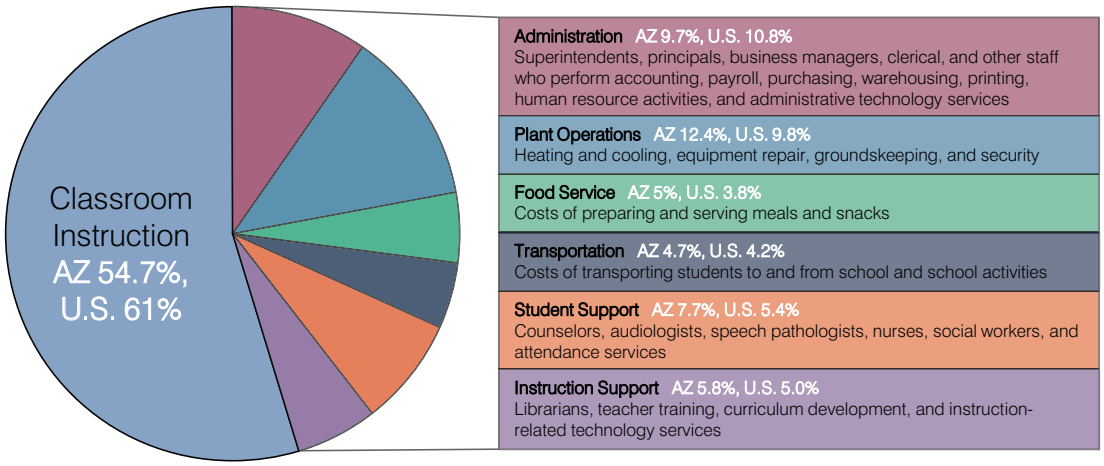
Source: Auditor General staff analysis of district-reported accounting data and Arizona Department of Education student membership data for fiscal years 2001 through 2011.

Compared to national averages, Arizona spent less overall, less on instruction and administration, and more on plant operations and student support

Compared to national averages for total spending, Arizona districts spent approximately $2,000 to $2,700 less per pupil between fiscal years 2001 and 2009—the most recent year for available national data. Arizona districts also allocated their resources differently across operational areas. In fiscal year 2011, Arizona districts spent 54.7 percent of available operating dollars on instruction, a record low for the State and 6.3 percentage points below the most recent national average of 61 percent. The relatively low classroom dollar percentage is not the result of high administration costs, as Arizona districts allocate a smaller percentage of resources for administration than the national average. As shown in Figure 2 (see page 3), Arizona's higher percentage of noninstructional spending was primarily due to higher percentages spent on plant operations and student support services.

In fiscal year 2011, Arizona school districts spent a record low 54.7 percent on instruction.

Figure 2: Comparison of Arizona and U.S. Spending by Operational Area
Fiscal Years 2011 (Arizona) and 2009 (U.S.)



Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data and National Center for Education Statistics *Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2008-09*, June 2011.

Arizona's lower spending on instruction due in part to larger class sizes—Many factors may account for Arizona's lower percentage of classroom spending, and classroom size is likely one of them. Compared to the most recent national average, Arizona has a larger student-to-teacher ratio, which partially explains the lower instructional spending per pupil. Arizona districts averaged 17.1 students per teacher in fiscal year 2009, while the national average was 15.3 students per teacher that year. By fiscal year 2011, Arizona's class size grew to 18.1 students per teacher.

Arizona spent less per pupil on administrative salaries and benefits—Compared to national averages, Arizona districts spent 1.1 percentage points less on administration because they paid lower salaries to administrators and support staff and/or employed fewer of them. In fiscal year 2009, Arizona spent $631 per pupil on administrative salaries and benefits, 31 percent less than the 2009 national average of $910 per pupil.

Arizona appears to have spent more on energy—Arizona districts spent 2.6 percentage points more on plant operations than the national average. Almost all of this higher spending was in supplies, which are primarily for energy. In fiscal year 2009, Arizona districts spent $285 per pupil on plant operations supplies, 16 percent more than the national average of $246. Therefore, it appears Arizona districts spent more for energy than the national average.

Higher student support service costs may be related to Arizona's student populations—Compared to the national average, Arizona districts spent 2.3 percentage points more on student support. The higher spending may be related to the State's higher poverty rate. In fiscal year 2010 (the most recent year for available data), 22 percent of Arizona's school-aged children lived at or below the poverty level, compared to the national average of 20 percent. Students living in poverty are more likely to use support services, such as counselors, social workers, and attendance services.

Instruction

Instruction
Salaries and benefits for teachers, instructional aides, and coaches; costs related to instructional supplies, such as pencils, paper, and workbooks; athletics; cocurricular activities, such as band or choir; and tuition paid to out-of-state and private institutions.

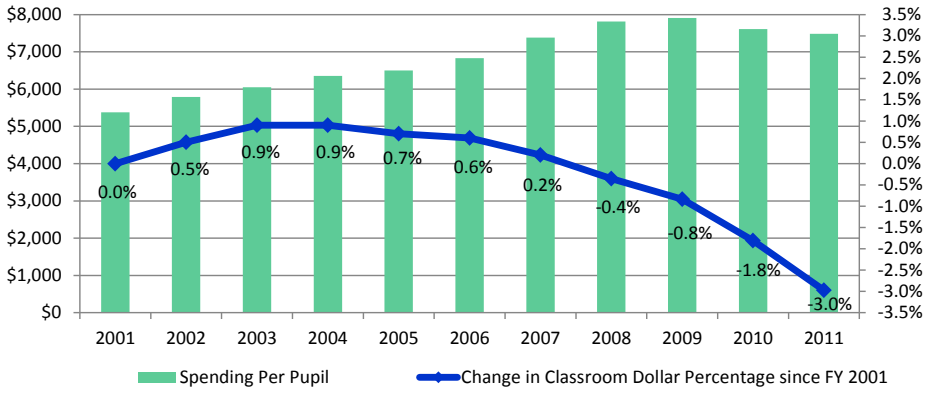
Continuing its long decline, instructional spending dropped to record low 54.7 percent

In fiscal year 2011, Arizona districts spent 54.7 percent of their available operating dollars on instruction—primarily for teachers and instructional aides. In fiscal year 2001, districts spent 57.7 percent on instruction. Then, in fiscal year 2002, districts began receiving Classroom Site Fund (CSF) monies intended to increase classroom spending. Soon after, in fiscal years 2003 and 2004, the State's classroom dollar percentage peaked at 58.6 percent. Despite an overall increase in per-pupil funding since that time, the percentage of resources spent on instruction has declined ever since, dropping an additional 1.2 percentage points in fiscal year 2011 to a record low 54.7 percent. Had districts continued directing resources into the classroom at the same rate they did in fiscal year 2001, they would have spent an additional $270 million in the classroom in fiscal year 2011.

Classroom spending decline continued and accelerated

As shown in Figure 3, between fiscal years 2001 and 2003, districts increased the percentage of resources allocated to the classroom, but this percentage has decreased each year since fiscal year 2004. Further, this shift in spending out of the classroom accelerated in fiscal years 2010 and 2011, with the largest single-year decline occurring in fiscal year 2011. Total operational spending over these 2 years decreased $423 per pupil. Of this amount, 94 percent, or $399 per pupil, came from the classroom. As a result, the percentage of resources allocated to the classroom has decreased 2.2 percentage points since fiscal year 2009. At the same time, the percentages of available operating dollars that districts allocated state-wide to administration, plant operations, food service, transportation, student support, and instruction support have all increased since fiscal year 2009.

Figure 3: Arizona's Operational Spending Per Pupil and Change in Classroom Dollar Percentage since Fiscal Year 2001
Fiscal Years 2001 through 2011

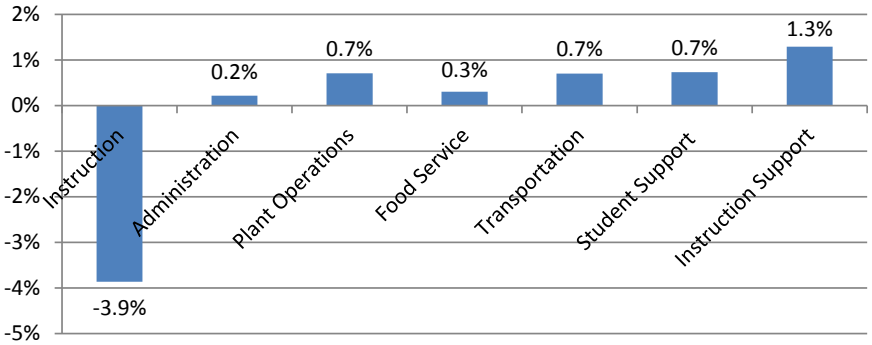


Source: Auditor General staff analysis of district-reported accounting data and Arizona Department of Education student membership data for fiscal years 2001 through 2011.

The decline in instructional spending in fiscal years 2010 and 2011 reflects two factors not present in prior years: (1) a decrease in overall per-pupil spending, and (2) a decrease in CSF monies. Approximately one-half of the $423-per-pupil decline in operational spending came from CSF monies, which are based on sales tax revenues. These decreases and the impact of having certain fixed

noninstructional costs partially explain the decline in instructional spending in these fiscal years. However, the percentage spent on instruction also decreased between fiscal years 2004 and 2009, when total operational spending per pupil increased 24 percent. As a result and as shown in Figure 4, between fiscal years 2004 and 2011, spending shifted from the classroom to other operational areas, as indicated by the declining percentage spent on instruction and the increased percentage spent in all other operational areas.

Figure 4: Percentage Change of Expenditures by Operational Area Fiscal Year 2004 Versus 2011



Source: Auditor General staff analysis of district-reported accounting data for fiscal years 2004 and 2011.

Districts that operate efficiently are able to allocate more of their resources to instruction

Districts that run their noninstructional operations efficiently have more dollars available to spend on instruction. Performance audits of individual Arizona districts have found that efficient districts—meaning districts that perform better than their peers on performance measures of operational efficiency—tend to have higher classroom dollar percentages. The broader analysis conducted across all districts for this report showed a similar result. When performance measures were compared across all districts in each efficiency peer group, districts that outperformed their peers tended, on average, to spend higher percentages on instruction, which may impact student achievement.

Student achievement outcomes are likely influenced by many factors. Although findings are mixed, research indicates that factors such as curriculum and teacher quality, parental involvement, school and class size, district leadership, student use of technology, parent education level, and particularly poverty rate may impact student achievement. How efficiently districts spend their resources may also impact student achievement. In Arizona, available evidence supports a positive link between the percentage spent on instruction and student achievement. Preliminary analysis of Arizona districts' instructional percentages and their student achievement, as measured by the proportion of students who met or exceeded state standards on Arizona's Instrument to Measure Standards (AIMS) tests, showed a statistically significant relationship—that is, a relationship that is likely to have little opportunity to have occurred by chance. On average, even when controlling for district poverty rate, which appears to be strongly related to student achievement, districts that were efficient and therefore able to direct more of their resources to instruction had higher passing rates on AIMS. This positive relationship may reflect district leadership in ensuring both efficient operations and effective instruction.

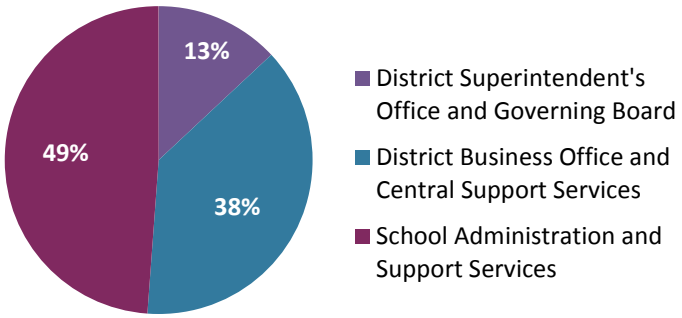
Administration

Administration
Salaries and benefits for superintendents; principals; business managers; and clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other costs related to these services and the governing board.

9.7 percent spent on administration, evenly split between district- and school-level costs

In fiscal year 2011, Arizona districts spent 9.7 percent of available operating dollars on administration, slightly higher than the 9.2 to 9.5 percent spent in each of the past 5 fiscal years. Most of these costs were for salaries and benefits of administrators and support staff. As shown in Figure 5, administrative costs were split almost evenly between district-level expenditures, including the business and superintendents' offices, and school-level expenditures.

Figure 5: Administrative Spending by Category Fiscal Year 2011

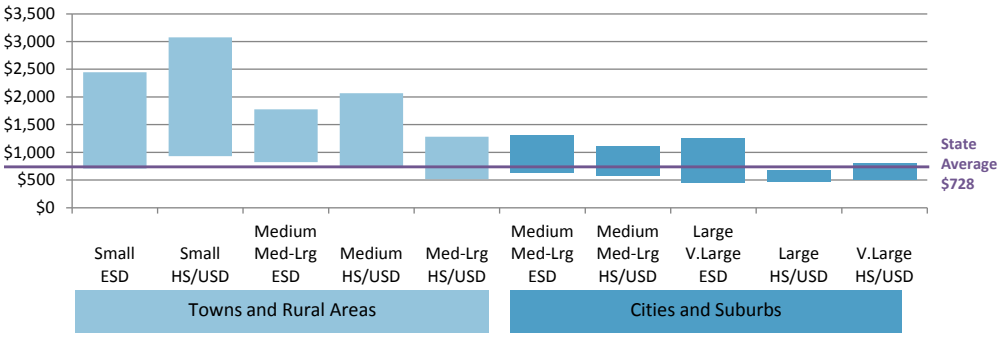


Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data.

Larger districts had lower per-pupil costs, but wide range of costs indicates improvement is possible across all district sizes

Overall, fiscal year 2011 administrative costs per pupil were lower for large districts, primarily because of their economies of scale and abilities to spread some costs over more students. Relative to small- and medium-sized districts, larger districts tended to have administrative costs that were near or below the state per-pupil average, regardless of location, as shown in Figure 6. In addition, the per-pupil costs at small- and medium-sized districts varied more, as evidenced by the wide range of costs for these districts. For example, administrative costs for small, rural high school and unified districts ranged from a low of $931 to a high of $3,075 per pupil. Even among very large districts, administrative costs varied from a low of $501 to a high of $793 per pupil. Wide ranges in administrative costs indicate that some districts have achieved lower

Figure 6: Range of Administrative Cost Per Pupil by Efficiency Peer Group Fiscal Year 2011



Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data, Arizona Department of Education student membership data, and U.S. Census Bureau location designations reported in the National Center for Education Statistics' Common Core of Data.

costs than other districts of similar size, type, and location. Districts at the high end of the range should work toward improving their administrative efficiency using performance measures and practices identified in the next section.

Audits identified efficient and inefficient practices

Performance audits of school districts have identified a number of practices used by efficient districts, as well as practices that make other districts less efficient.

More efficient districts:

- Monitor performance measures to identify areas for improvement (see textbox).
- Use staffing formulas to calculate the appropriate level of staffing needed.
- Employ staff who "wear multiple hats" to work in more than one operational area.
- Effectively use county services for legal guidance and accounting support.
- Purchase office supplies in bulk.
- Limit the use of outside consultants and contractors.

Performance measures

- Costs per pupil
- Students per administrative staff
- Benefit-to-salaries ratio

Less efficient districts:

- Have higher staffing levels than peers.
- Have more costly benefit packages and retirement programs.
- Provide very generous stipends, such as vehicle allowances or tax-sheltered annuities.
- Spend significantly more than peers on meals and conference travel for employees and governing board members.
- Allow employees to individually purchase office supplies instead of purchasing items in bulk quantities.

To protect districts, better controls over business processes and computer system access are needed

Performance audits continued to identify inadequate controls over payroll, purchasing, and access to districts' computerized systems, which increased the risk of errors, fraud, and misuse of sensitive information. For example, audits found districts that:

- Did not properly segregate payroll and personnel functions, increasing the risk that someone could create payments for fictitious employees or make unauthorized changes to employee pay rates.
- Paid employees prior to work being performed or prior to adequately ensuring that hours were actually worked, resulting in overpayments.
- Allowed individual employees to perform nearly all aspects of purchasing, thereby significantly increasing the risk of errors and fraudulent purchases.
- Did not implement adequate procedures over computerized information, such as limiting access to sensitive information; ensuring that servers and computers were using currently supported operating system software, had critical updates installed, or could continue operating in the event of a disaster; and removing former employees' access in a timely manner.

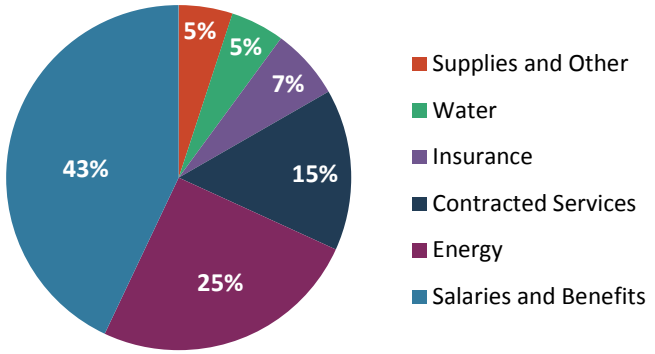
Plant Operations

Plant Operations
Salaries, benefits, and other costs related to equipment repair, building maintenance, custodial services, groundskeeping, and security; and costs for heating, cooling, and property insurance.

12.4 percent spent on plant operations, mostly for staffing and energy

In fiscal year 2011, Arizona districts spent 12.4 percent of their available operating dollars on plant operations, up from the 11.2 percent spent in fiscal year 2006. As shown in Figure 7, most plant costs were in two categories: salaries and benefits of maintenance and repair staff; and energy costs, primarily for electricity. Contracted services, such as telephone, contracted repair services, and garbage disposal, comprised the next largest category, at 15 percent of the total.

Figure 7: Plant Operations Spending by Category Fiscal Year 2011

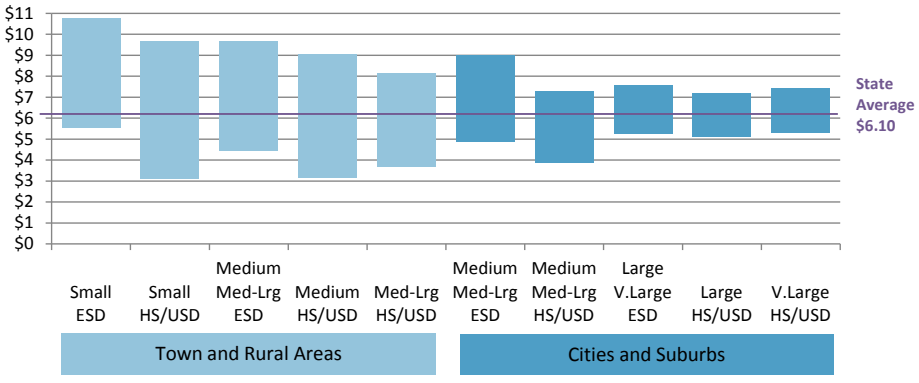


Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data.

Wide range of costs among similar districts indicates improvement is possible across all district types

Because high schools generally have more square footage per student than elementary schools, they typically have lower plant costs per square foot. However, regardless of district type, evaluating costs on a square footage basis helps all districts assess whether they are operating and maintaining their existing space efficiently or not. As shown in Figure 8, for fiscal year 2011, across most efficiency peer groups, there were wide ranges of costs per square foot, including both districts below and above the state average. This indicates that within each group, some districts were operating efficiently, while other districts need to improve their plant operations by using the performance measures and practices identified in the next section.

Figure 8: Range of Plant Operations Cost Per Square Foot by Efficiency Peer Group Fiscal Year 2011



Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data, School Facilities Board square footage data, and U.S. Census Bureau location designations reported in the National Center for Education Statistics' Common Core of Data.

Audits identified efficient and inefficient practices

Performance audits of school districts have identified a number of practices used by efficient districts, as well as practices that make other districts less efficient.

Performance measures

- Cost per square foot
- Cost per student
- Square footage per student
- Building capacity utilization

More efficient districts:

- Monitor performance measures to identify areas for improvement (see textbox).
- Implement an energy conservation plan and educate students and staff about energy conservation.
- When cost-beneficial, update old equipment with more energy-efficient models.
- Employ staff who can serve multiple roles, such as perform custodial work and drive buses.

Less efficient districts:

- Operate schools far below their designed capacity and fail to reduce excess space.
- Do not monitor or try to reduce energy consumption.
- Lack a preventative maintenance program to maintain buildings.
- Fail to evaluate staffing and salary levels based on similar districts and market surveys.

Energy conservation essential to offset rising utility rates

As shown in Figure 7 (see page 8), in fiscal year 2011, 25 percent of plant operations costs were for energy, primarily electricity. Further, district spending for electricity has increased 22 percent per square foot since fiscal year 2006, primarily driven by increased utility rates. The significance of these costs and increases in utility rates illustrates the continued need for improved energy conservation. Performance audits have identified measures districts have taken, or should be taking, to help reduce these costs. Some measures are as simple as replacing outdated thermostats with programmable units, while others are more complex, such as developing and implementing comprehensive energy conservation plans. Audits also found that districts have begun entering into solar power contracts to help control future energy costs. However, to maximize potential savings and avoid certain pitfalls, districts need to carefully consider all costs associated with purchasing solar energy and practice due diligence before entering into these contracts.

Excess building space leads to high costs

Performance audits have identified districts that had high costs caused by their operating large amounts of excess space. Until recently, districts appeared reluctant to reduce excess space—even those districts with long-standing stable or declining enrollments. However, that reluctance appears to have changed recently, at least for some districts. State-wide, districts reported operating 27 fewer schools in fiscal year 2011 than they did in fiscal year 2010. More specifically, 5 new schools opened and 32 were closed. Five districts accounted for 23 of the 32 school closures. Although decisions to close buildings or schools can be difficult or painful, these decisions are important because school district funding is based primarily on the number of students enrolled at the district, not the number of schools or amount of square footage maintained. Further, districts have reported considerable savings from closing schools.

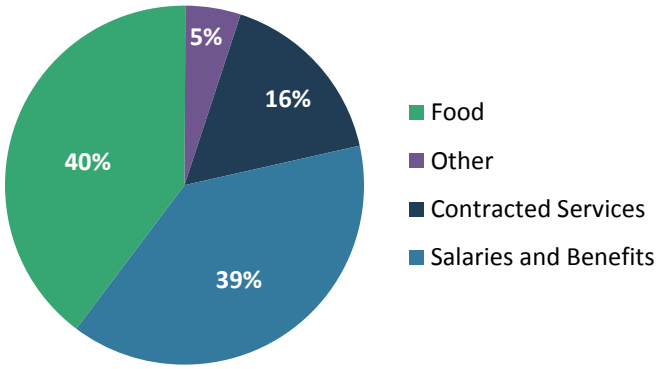
Food Service

Food Service
Salaries, benefits, food supplies, and other costs related to preparing, transporting, and serving meals and snacks.

5 percent spent on food service, mostly for staffing and food supplies

In fiscal year 2011, Arizona districts spent 5 percent of their available operating dollars on food services, a slight increase over the 4.7 to 4.8 percent spent in each of the past 5 fiscal years. As shown in Figure 9, 79 percent of these costs were evenly split between staffing and food supplies, with another 16 percent spent for contracted food services.

Figure 9: Food Service Spending by Category Fiscal Year 2011

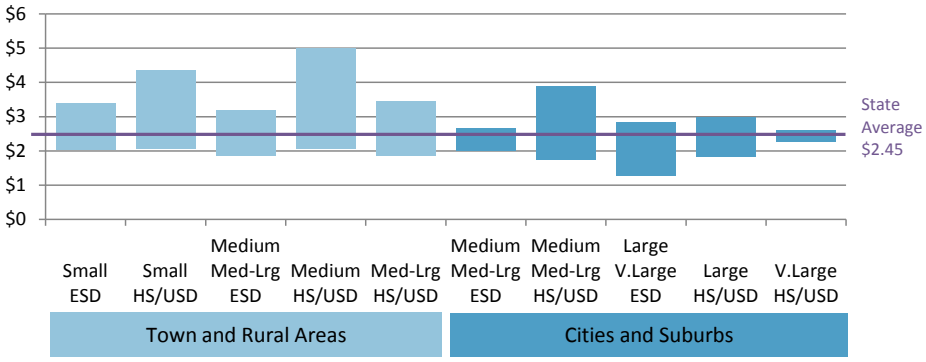


Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data.

Wide range of costs among similar districts indicates improvement is possible across all district sizes, types, and locations

Although food service costs are likely influenced by district size, type, and location, there are certain districts that operate more efficiently than other districts affected by these same factors. For example, food costs per meal may be higher for districts serving high school students because of the larger meal portions, but many districts that serve these students still operate efficiently and at costs below the state average. As shown in Figure 10, there were wide ranges of costs across most efficiency peer groups, which are based on district size, type, and location. These wide ranges indicate that operational efficiencies can be achieved regardless of other factors and that certain districts should work toward improving their programs' cost-effectiveness by using performance measures and practices identified in the next section.

Figure 10: Range of Food Service Cost Per Meal by Efficiency Peer Group Fiscal Year 2011



Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data, Arizona Department of Education meal counts, and U.S. Census Bureau location designations reported in the National Center for Education Statistics' Common Core of Data.

Audits identified efficient and inefficient practices

Performance audits of school districts have identified a number of practices used by efficient districts, as well as practices that make other districts less efficient:

More efficient districts:

- Monitor performance measures to identify areas for improvement (see textbox).
- Monitor staffing levels based on industry standards for meals per labor hour.
- Limit waste by using student input and daily production and usage information to determine meal production.
- Maximize use of free commodities provided by the U.S. Department of Agriculture.

Performance measures

- Cost per meal
- Ratio of labor and supply costs
- Meals per labor hour
- Ratio of revenues and expenditures

Less efficient districts:

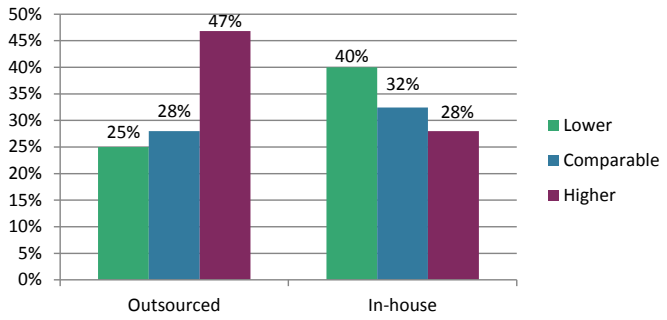
- Have poorly written contracts with food service vendors.
- Fail to monitor contracted vendors' performance.
- Fail to identify best food prices, including failing to use or ineffectively using purchasing consortiums.
- Have excessive waste due to poor inventory rotation and monitoring.
- Set meal prices too low to ensure program self-sufficiency.
- Operate universal free program without a sufficient number of free- and reduced-price eligible students.

Self-sufficient programs
In fiscal year 2011, 58 percent of district food service programs generated enough revenues to cover operating expenses, down from 63 percent last fiscal year.

Outsourcing can be costly without effective district oversight

In fiscal year 2011, 47 districts outsourced their programs to one of five private companies. Some of these outsourced programs were very efficient and operated at a low cost per meal. However, as shown in Figure 11, only 25 percent of these districts had lower costs than their efficiency peers, on average. In contrast, 40 percent of the districts that operated their own programs had lower costs than their peers. Performance audits have shown that poor contract structures and inadequate district oversight can contribute to higher meal costs for outsourcing districts. Districts should include guaranteed profit or break-even clauses in their contracts and ensure that their vendors submit correct bills, perform well, and meet all contract terms.

Figure 11: Food Service Costs Compared to Efficiency Peers, Grouped by Outsourced and In-house Programs Fiscal Year 2011



Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data and Arizona Department of Education meal counts, and district food service contracts.

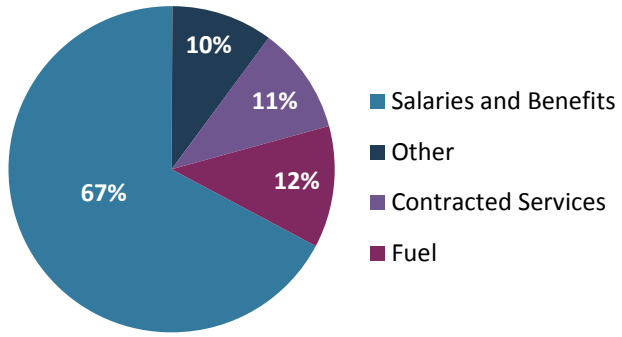
Transportation

Transportation
Salaries, benefits, and other costs related to maintaining buses and transporting students to and from school and school activities.

4.7 percent spent on student transportation, mostly for staffing

In fiscal year 2011, Arizona districts spent 4.7 percent of their available operating dollars on student transportation, somewhat higher than the 4.2 to 4.5 percent spent in each of the past 5 fiscal years. As shown in Figure 12, most of the transportation costs were for salaries and benefits of bus drivers, bus aides, mechanics, and other staff. Fuel costs composed 12 percent of the transportation costs state-wide, but can compose up to 48 percent of the costs for rural districts that transport their riders long distances. Eleven percent of transportation costs were spent on contracted services with vendors that provide student transportation for districts.

Figure 12: Transportation Spending by Category Fiscal Year 2011

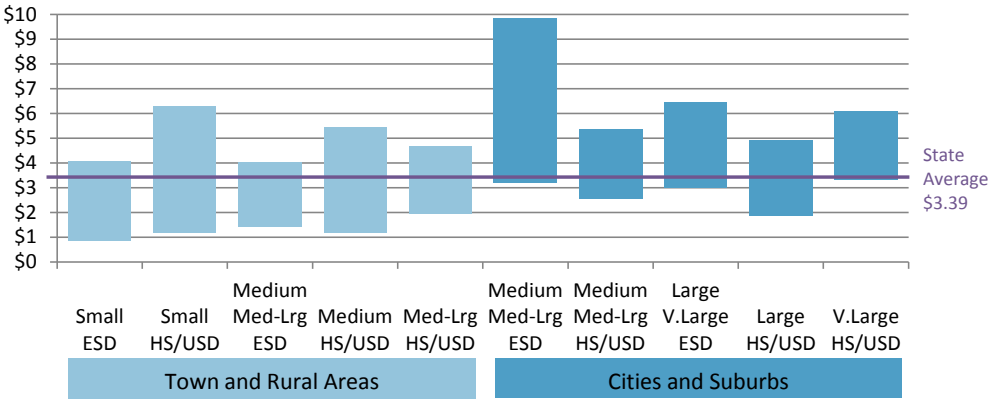


Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data.

High costs related to location and student populations are largely outside of district control, but efficiency can be improved

Location is the primary factor affecting a district's cost per mile. In fiscal year 2011, the average cost per mile for medium-sized elementary districts located in urban areas (cities and suburbs) was $5.00, while similar districts located in towns and rural areas averaged $3.27 per mile. Districts in urban locations tend to be geographically smaller and more compact, with higher populations of special needs and homeless students who require more transportation services. These districts tend to have higher costs per mile because the high costs associated with these student populations are spread over fewer miles. In contrast, districts in rural locations tend to have lower costs per mile because they typically travel greater distances. However, as shown in Figure 13, regardless of district location, the wide ranges of costs across all efficiency peer groups show that many districts could use performance measures and practices identified in the next section to operate more efficiently.

Figure 13: Range of Transportation Cost Per Mile by Efficiency Peer Group Fiscal Year 2011



Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data and Arizona Department of Education route reports, and U.S. Census Bureau location designations reported in the National Center for Education Statistics' Common Core of Data.

Audits identified efficient and inefficient practices

Performance audits of school districts have identified a number of practices used by efficient districts, as well as practices that make other districts less efficient.

More efficient districts:

- Monitor performance measures to identify areas for improvement (see textbox).
- Limit overtime and unproductive time by having employees perform other duties such as custodial or cafeteria work.
- Ensure fuel pumps are secure and limit bus idling to lower costs.
- Plan routes to ensure, where possible, that buses are filled to at least 75 percent of capacity.
- Partner with other local governments for bus maintenance and fuel.
- Evaluate bus barn locations for excessive miles driven without riders.

Performance measures

- Cost per mile
- Cost per rider
- Miles per rider
- Miles per driver
- Bus capacity utilization

Less efficient districts:

- Pay drivers for time not spent working between routes.
- Rely on gas stations for fuel and do not negotiate discounts.
- Use full-sized buses on routes with small numbers of riders.
- Do not monitor or adjust routes for efficiency.
- Have no contract or a poorly written contract with transportation vendors.
- Fail to monitor vendors for accurate billing and effective performance.
- Lack a consistent preventative maintenance program to help mitigate costly repairs.

Half of districts, typically those driving more miles or with a lower proportion of special needs miles, covered costs

In addition to cost per mile and cost per rider, a district can also be evaluated by its ability to cover its transportation program's costs with available state transportation funding. In fiscal year 2011, 53 percent of Arizona's districts were able to cover their operating costs with their allocated state transportation funding, while the other half needed to subsidize their programs with other monies. Arizona's transportation funding formula is based primarily on the number of miles driven. The districts that covered their costs with state transportation funding typically drove 356 miles per rider, 55 percent more than the 230 miles per rider driven by districts that subsidized their programs. Further, transportation for special needs students can be costly, and districts with a higher proportion of special needs miles were more likely to have costs that exceeded state funding. Of the districts that subsidized their programs, special needs transportation represented 34 percent of their total miles compared to the 14 percent driven by districts that covered their costs with state transportation funding.

Student Support

Student Support
Salaries and benefits for attendance clerks, social workers, counselors, nurses, audiologists, and speech pathologists and other costs related to these support services to students.

7.7 percent spent on student support services, mostly for staffing and purchased services

In fiscal year 2011, Arizona districts spent 7.7 percent of available operating dollars on student support services, a percentage that has increased steadily since the 7.2 percent spent 5 years ago in fiscal year 2006. This increase is likely a reflection of the overall increase in the State's poverty rate, from 18 to 22 percent, and increase in the percentage of students with special needs, from 11.1 to 11.7 percent during the same period. Most student support service costs—83 percent—were for the salaries and benefits of attendance clerks, social workers, guidance counselors, nurses, and specialists such as audiologists and speech pathologists. Fourteen percent of the districts' support service costs paid for these services from contracted vendors, and the remaining 3 percent of costs paid for supplies.

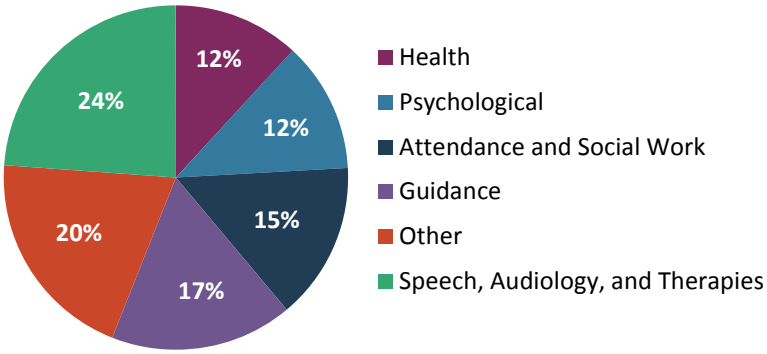
Student support services directed toward economically disadvantaged students and students with special needs

Many student support services are directed at student populations with economic disadvantages, such as living at or below the poverty level, and at students with special needs. Accordingly, a district's level of spending on student support services is related to the percentages of district students who live in poverty or have special needs. Districts with higher percentages of students in these categories spent more per pupil on student support services, on average, than districts with lower percentages of students in these categories.

Costs were spread across a variety of support services

Although state-wide detail on student support spending was not available, Figure 14 shows this detail for fiscal year 2011 for 121 districts that classified their student support spending at a more detailed level. These districts' costs represented 75 percent of the State's spending in this area. As shown in Figure 14, these districts' spending was spread fairly evenly across a variety of support services, including health and psychological services, and activities related to attendance, social work, and guidance counseling. Further, about one-quarter of support service costs paid for specialists in speech pathology, audiology, and occupational/physical therapy. Finally, 20 percent of these districts' spending was for other unspecified types of student support services.

Figure 14: Student Support Spending by Category
Fiscal Year 2011



Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data for 121 districts that classified student support costs in detail.

Instruction Support

Instruction Support
Salaries and benefits of curriculum directors, special education directors, teacher trainers, librarians, media specialists, and instruction-related IT staff and other costs related to assisting instructional staff in the delivery of instruction.

5.8 percent spent on instruction support, mostly for staffing

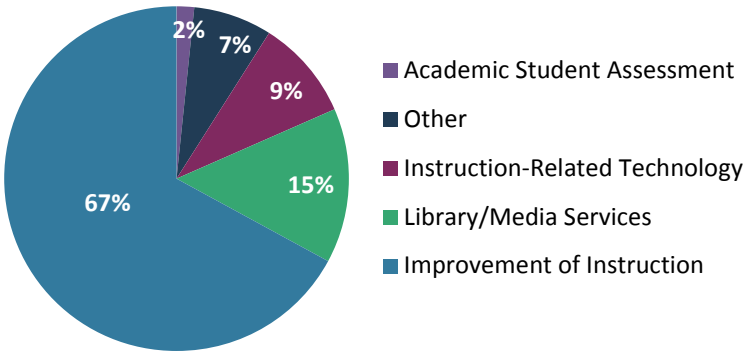
In fiscal year 2011, Arizona districts spent 5.8 percent of available operating dollars on instruction support. Most costs—81 percent—were for salaries and benefits of employees who train teaching staff and develop curriculum, and staff who provide library/media and instruction-related information technology services. Fourteen percent of the costs were for contracted services, such as teacher-training workshops, and the remaining 5 percent were for supplies and other costs.

Although the percentage spent on instruction support in fiscal year 2011 is almost 1 percentage point higher than the 5 percent spent in fiscal year 2006, the increase was primarily due to a change in the way districts classified their costs. In fiscal year 2008, instruction support service costs were revised to include instruction-related technology services that had been previously grouped with noninstruction-related technology services in administration.

Majority of costs were for improving instruction

Although detail on instruction support spending was not available state-wide, Figure 15 shows fiscal year 2011 instruction support spending detail for 122 districts that classified their expenditures at a more detailed level. These districts' costs represented 51 percent of the State's spending in this area. As shown in Figure 15, the majority of these districts' spending on instruction support—67 percent—was for the improvement of instruction, such as developing instructional materials and curriculum, and training instructional staff. Costs related to library and media services represented 15 percent of instruction support spending in fiscal year 2011, a decrease from the 30 percent spent in this area 5 years ago in fiscal year 2006. The reduction appears to be driven by a decrease in the number of librarians since that fiscal year.

Figure 15: Instruction Support Spending by Category Fiscal Year 2011



Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data for 122 districts that classified instruction support costs in detail.

Figure 16: Map of Arizona Counties

State of Arizona

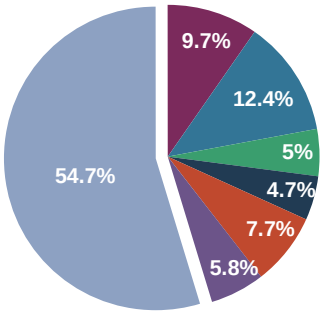
Total current expenditures[1]: $6,787,957,285
Number of districts: 239

Students attending: 906,884
Number of schools: 1,422

OPERATIONAL EFFICIENCY

Spending by operational area

Classroom dollars



Nonclassroom dollars

Administration
Plant Operations
Food Service
Transportation
Student Support
Instruction Support

5-year trend

Total spending per pupil increased by 10 percent. Spending in the classroom decreased significantly from 58.3 to 54.7 percent. Spending on plant operations, transportation, student support, and instruction support increased, and spending on administration and food service increased slightly.

Cost measures and other related measures

Operational Area	Measure	2009	2010	2011
Administration	Cost per pupil	$729	$721	$728
	Students per administrator	66	66	66
Plant Operations	Cost per square foot	$6.40	$6.25	$6.10
	Square footage per student	144	146	152
Food Service	Cost per meal equivalent	$2.53	$2.41	$2.45
Transportation	Cost per mile	$3.36	$3.35	$3.39
	Miles per rider	271	282	283

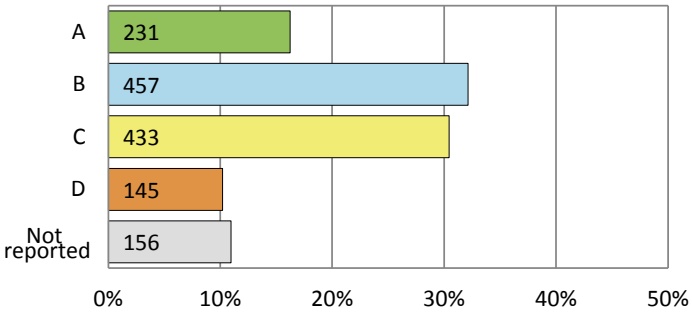
Per-pupil spending by operational area

	State			National
	2009	2010	2011	2009
Total	$7,908	$7,609	$7,485	$10,591
Classroom dollars	$4,497	$4,253	$ 4,098	$ 6,456
Nonclassroom dollars:	$3,411	$3,356	$ 3,387	$ 4,135
Administration	729	721	728	1,147
Plant Operations	920	914	927	1,033
Food Service	382	366	375	404
Transportation	343	342	352	443
Student Support	594	581	571	573
Instruction Support	443	432	434	535

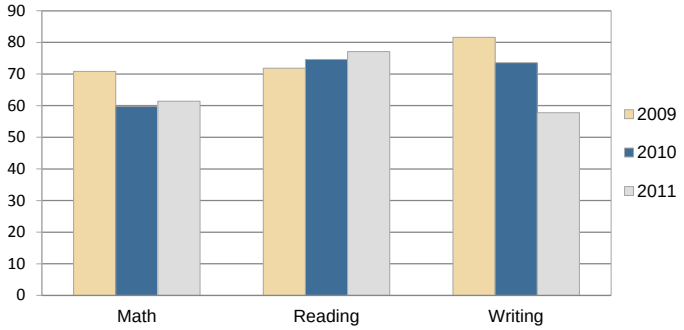
[1] See page c-1.

STUDENT ACHIEVEMENT AND TEACHER INFORMATION

State-wide school grades (number and percentage)



Percentage of students meeting state standards (AIMS)



Student and teacher information

Measure	2009	2010	2011
Attendance rate	95%	94%	95%
Graduation rate	76%	78%	N/A
Poverty rate	21%	22%	N/A
Students per teacher	17.1	17.9	18.1
Average teacher salary	$45,209	$47,077	$45, 637
Average years of experience	9.7	10.6	10.9
Percent of teachers in first 3 years	16%	20%	16%

Proposition 301 pay, goals, and results

Average additional salary earned by teachers: $3,081

	Number of Districts			
	Set goal	Met goal		
Type of goal		Yes	Partially	No
Student achievement	201	143	53	5
Dropout/graduation rates	43	37	5	1
Student attendance	76	66	7	3
Parent/student satisfaction	103	93	10	
Teacher attendance	26	14	11	1
Teacher professional development	125	104	21	
Teacher evaluations	65	55	10	
Tutoring	39	35	4	
Other	97	75	22	

Appendix A

Table 1 shows the data sources and definitions used on the state page (see page 17) and individual district pages (see pages 18 through 232). This information is organized into three sections: background information, such as the number of district schools; operational efficiency measures, such as classroom and nonclassroom spending, and other cost measures; and student achievement and teacher information, such as the percentage of students passing Arizona's Instrument to Measure Standards (AIMS) and average teacher salaries. "N/A" indicates that information is not available, not applicable, or not appropriate because it could reveal personal information about a small number of district employees or students. "NR" indicates that auditors determined that the District's information is not reliable and is therefore not being reported or included in peer averages. Further, some districts are excluded from the peer average for certain cost measures because extreme values in their costs would skew the group average. All information is for fiscal year 2011 unless otherwise indicated.

Table 1: Individual District Page Source Information

Data	Source
Background	
District size	Auditor General staff analysis of Arizona Department of Education (ADE) attending average daily membership (ADM) counts. District sizes were categorized as follows: • Very Large 20,000+ • Large 8,000 to 19,999 • Medium-Large 2,000 to 7,999 • Medium 600 to 1,999 • Small 200 to 599 • Very Small Fewer than 200
Students attending	Auditor General staff analysis of ADE attending ADM counts. ADM numbers are rounded to the nearest whole number.
Number of schools	Auditor General staff analysis of ADE ADM reports and School Facilities Board (SFB) *Building Inventory Reports*.
Operational Efficiency	
Efficiency peer groups	Auditor General staff categorized districts into efficiency peer groups based on their similarities in district size, type, and location. The 12 efficiency peer groups are labeled "1" through "12," and each includes between 8 and 44 districts. When calculating peer group averages, auditors excluded the districts with unreliable or extreme values that skewed their group's average. See Table 2 in Appendix B, pages b-1 through b-4, for a list of districts included in each efficiency peer group.
Spending by function	Auditor General staff analysis of district-reported accounting data and Annual Financial Reports (AFRs).

Table 1 (Cont'd)

Operational Efficiency (Concl'd)	
Data	**Source**
5-year trend	Auditor General staff analysis of district-reported accounting data and AFRs, and ADE ADM for fiscal years 2006 through 2011. For purposes of this report, the following criteria were used to describe changes in operational percentages: • Decreased significantly—2 percentage point or larger decrease • Decreased—1 to 1.9 percentage point decrease • Decreased slightly—0.5 to 0.9 percentage point decrease • Increased slightly—0.5 to 0.9 percentage point increase • Increased—1 to 1.9 percentage point increase • Increased significantly—2 percentage point or larger increase
District's cost measures relative to peer group	Auditor General staff compared a district's cost measures, such as cost per mile, and other related measures, such as miles per rider, to those of its peer group. Auditors identified whether the district's cost measures were higher, lower, or comparable to its peer averages, and indicated the determination by a color bar for each operational cost area. When comparing cost measures, auditors also took into consideration other measures that could impact costs, such as the effect of extremely high square footage per student on the cost per square foot. In addition, for the 52 very small districts, auditors provided comparative information but did not identify the relative costs with a color bar because the spending patterns of these districts are highly variable and result in less meaningful group averages.
Administration	Cost per pupil: Auditor General staff analysis of administrative costs divided by the number of students, using district-reported accounting data and ADE ADM data.
	Students per administrator: The number of students divided by the number of administrative full-time equivalent employees (FTEs), using ADE ADM counts and district-provided information on the *School District Employee Report*.
Plant Operations	Cost per square foot: Auditor General staff analysis of plant operations and maintenance costs divided by the total square footage, using district-reported accounting data and SFB *Building Inventory Reports*.
	Square footage per student: Auditor General staff analysis of the total square footage divided by the number of students, using ADE ADM data and SFB *Building Inventory Reports*.
Food Service	Cost per meal equivalent: Auditor General staff analysis of food service costs divided by the total number of meals served, using district-reported accounting data and AFRs.
Transportation	Cost per mile: Auditor General staff analysis of transportation costs divided by the miles driven, using district-reported accounting data and ADE transportation route reports.
	Miles per rider: Auditor General staff analysis of the miles driven divided by the number of riders, using ADE transportation route reports.
Per-pupil spending by operational area	
District	Auditor General staff analysis of fiscal years 2010 and 2011 district-reported accounting data and AFRs, and ADE ADM data.
Peer	Auditor General staff analysis of districts' per-pupil expenditures. The group averages excluded districts with extreme or unreliable values and were calculated by adding indivdiual districts' per-pupil expenditures and dividing by the number of districts in each peer group.
State	Auditor General staff analysis of district-reported accounting data and AFRs, and ADE ADM data. The state's per-pupil amounts were calculated by adding individual districts' expenditures and dividing by the total number of district students (ADM).
National	National Center for Educational Statistics' fiscal year 2009 data. Although the 2011 data is not yet available, the national percentages have been relatively stable. For the most recent 5-year period that is available, fiscal years 2005 through 2009, the variations were less than 0.4 percent in any of the functional spending areas, such as instruction and administration.

Table 1 (Cont'd)

Student Achievement and Teacher Information	
Data	**Source**
Student achievement peer groups	Auditor General staff categorized districts into student achievement peer groups based on their similarities in district type, poverty rate, and location. The 22 peer groups include between 3 and 22 districts. See Table 3 in Appendix B, pages b-5 through b-10, for a list of districts included in each student achievement peer group.
District and school letter grades	District and school letter grades provided by ADE as of October 2011. Letter grades not published by ADE are listed as "N/A" for districts and "Not reported" for schools.
Student and teacher information	
Attendance rate	Attendance rates provided by ADE as of December 2011. The district- and state-level attendance rates were calculated by dividing the number of student attendance days by the number of student membership days as of the district's 100th-day membership count. The group average percentages were calculated by adding individual districts' attendance rates and dividing by the number of districts in each peer group.
Graduation rate	For districts serving high school students, the fiscal year 2010 4-year cohort graduation rates, provided by ADE as of December 2011. The district- and state-level graduation rates were calculated by dividing the number of cohort students who graduated after 4 years by the original number of cohort students adjusted for the students transferring in and out of the district. The group average percentages were calculated by adding individual districts' graduation rates and dividing by the number of districts in each peer group.
Poverty rate	Auditor General staff analysis of U.S. Census Bureau fiscal year 2010 *Small Area Income and Poverty Estimates* published in December 2011. District- and state-level poverty rates were calculated by dividing the number of children between the ages of 5 and 17 years old who were living at or below the federal poverty level by the total number of children between the ages of 5 and 17 years old. The group average percentages were calculated by adding individual districts' poverty rates and dividing by the number of districts in each peer group.
Student-teacher ratio	Auditor General staff analysis of ADE ADM data and certified teacher FTE as reported by districts on their Classroom Site Fund Narrative (CSF Narrative). In the few instances in which CSF Narrative information was not received or not reliable, certified teacher FTE was obtained from district-reported *School District Employee Report* data provided by ADE. The district- and state-level ratios were calculated by dividing total ADM by total certified teacher FTE and the group average percentages were calculated by adding individual districts' student-teacher ratios and dividing by the number of districts in each peer group.
Percentage of students meeting state standards (AIMS)	Auditor General staff analysis of ADE's Spring 2011 AIMS' Math, Reading, and Writing test results as of December 2011. The district- and state-level percentages were calculated by dividing the number of students who met or exceeded the state standards for their grade by the total number of students who took the test. Auditors aggregated test results across grade levels and included results for grades 3 through 8 and high school grade 10, as applicable. The peer group average percentages were calculated by adding individual districts' percentages of students who met or exceeded grade-level standards and dividing by the number of districts in each peer group. In fiscal year 2011, the Writing test was suspended for grades 3, 4, and 8.

Table 1 (Concl'd)

Student Achievement and Teacher Information (Concl'd)	
Data	**Source**
Average teacher salary	Auditor General staff analysis of total current expenditures for preschool through grade-12 instructional programs spent on certified teacher salaries (excluding salaries for substitute teachers) from district-reported accounting records and total number of certified teacher FTEs from district-reported CSF Narratives. In the few instances in which CSF Narrative information was not received or not reliable, the number of certified teacher FTEs was obtained from district-reported *School District Employee Report* data provided by ADE. The district- and state-level averages were calculated by dividing the total teacher salaries by total teacher FTE and the group average percentages were calculated by adding individual districts' average teacher salaries and dividing by the number of districts in each peer group.
Average years' experience	ADE October 2010 data on certified teacher FTE for fiscal year 2011. The number of years of experience included the actual number of years of experience for each certified teacher, instead of capping teachers with more than 15 years of experience at 15. The district- and state-level years of experience were calculated by weighting each number of years of experience by the total FTE for that number of years. The group average percentages were calculated by adding individual districts' average years of experience and dividing by the number of districts in each peer group.
Percent of teachers in first 3 years	ADE October 2010 data on certified teacher FTE for fiscal year 2011. The district- and state-level percentages were calculated by dividing the number of certified teachers in their first 3 years by the total number of certified teachers. The group average percentages were calculated by adding individual districts' percentage of teachers in their first 3 years and dividing by the number of districts in each peer group.
Proposition 301	Auditor General staff analysis of district-reported CSF Narrative results. Two districts did not submit CSF information required by A.R.S. §15-977(J), and auditors were unable to obtain the information from the districts.

Appendix B

This appendix lists the 208 districts organized into efficiency peer groups and student achievement peer groups. Table 2 (see pages b-1 through b-4) shows districts organized into efficiency peer groups based on district size, type, and location. Within each efficiency peer group, the districts are listed in order of their fiscal year 2011 classroom dollar percentages. Table 2 also shows the classroom dollar percentages of the State's ten accommodation school districts listed separately. Table 3 (see pages b-5 through b-10) shows districts organized into student achievement peer groups based on district type, poverty, and location. Within each student achievement peer group, the districts are listed in order of their district-wide passing rates on the Spring 2011 Arizona's Instrument to Measure Standards (AIMS).

Table 2: Districts Grouped by Efficiency Peer Group and Ranked by Classroom Dollar Percentage
Fiscal Year 2011

Peer Group					
Number	Description	District Name	Classroom Dollar Percentage	District Name	Classroom Dollar Percentage
1	Very large unified and union high school districts in cities and suburbs	**Peer group average**	**57.3%**		
		Chandler USD	60.6%	Mesa USD	57.6%
		Gilbert USD	59.9%	Peoria USD	57.2%
		Deer Valley USD	59.6%	Phoenix UHSD	56.2%
		Paradise Valley USD	58.8%	Dysart USD	55.3%
		Scottsdale USD	57.7%	Tucson USD	50.4%
2	Large unified and union high school districts in cities and suburbs	**Peer group average**	**55.5%**		
		Vail USD	57.6%	Amphitheater USD	56.3%
		Tolleson UHSD	57.3%	Marana USD	56.1%
		Flagstaff USD	57.0%	Higley USD	54.2%
		Glendale UHSD	56.5%	Yuma UHSD	51.9%
		Tempe UHSD	56.4%	Sunnyside USD	51.5%
3	Medium-large and medium unified and union high school districts in cities and suburbs	**Peer group average**	**54.2%**		
		Prescott USD	58.3%	Fountain Hills USD	54.3%
		Tanque Verde USD	57.5%	Buckeye UHSD	53.5%
		Humboldt USD	56.3%	Flowing Wells USD	53.2%
		Queen Creek USD	56.3%	Agua Fria UHSD	53.1%
		Apache Junction USD	55.1%	Catalina Foothills USD	53.1%
		Cave Creek USD	54.9%	Casa Grande UHSD	45.2%

Table 2 (Cont'd)

Peer Group			Classroom Dollar		Classroom Dollar
Number	Description	District Name	Percentage	District Name	Percentage
4	Medium-large unified and union high school districts in towns and rural areas	**Peer group average**	**52.9%**		
		Safford USD	62.8%	Kingman USD	53.1%
		Snowflake USD	59.0%	Winslow USD	52.5%
		Sahuarita USD	57.7%	Nogales USD	51.7%
		Lake Havasu USD	56.5%	J. O. Combs USD	51.2%
		Blue Ridge USD	56.0%	Coolidge USD	50.2%
		Colorado River UHSD	56.0%	Maricopa USD	49.6%
		Payson USD	55.4%	Chino Valley USD	49.4%
		Santa Cruz Valley USD	54.5%	Page USD	49.1%
		Show Low USD	54.3%	Chinle USD	47.5%
		Florence USD	54.0%	Window Rock USD	47.4%
		Douglas USD	53.8%	Kayenta USD	41.6%
		Sierra Vista USD	53.6%		
5	Medium unified and union high school districts in towns and rural areas	**Peer group average**	**49.8%**		
		Pima USD	59.0%	Parker USD	50.5%
		Thatcher USD	58.8%	Whiteriver USD	48.3%
		Morenci USD	57.7%	Bisbee USD	47.9%
		Miami USD	55.4%	Sanders USD	46.5%
		Mingus UHSD	55.0%	Tombstone USD	46.5%
		Holbrook USD	54.8%	Indian Oasis-Baboquivari USD	46.0%
		Sedona-Oak Creek Joint USD	54.4%	Nadaburg USD	45.6%
		Williams USD	54.1%	San Carlos USD	45.5%
		Willcox USD	53.6%	Globe USD	45.1%
		Round Valley USD	53.5%	Saddle Mountain USD	44.5%
		Camp Verde USD	53.4%	Ganado USD	42.4%
		Mammoth-San Manuel USD	53.4%	Tuba City USD	41.1%
		Benson USD	52.4%	Red Mesa USD	40.6%
		Wickenburg USD	51.6%	Pinon USD	36.5%
		St. Johns USD	51.3%		
6	Small unified and union high school districts in towns and rural areas	**Peer group average**	**49.4%**		
		St. David USD	57.4%	Colorado City USD	49.2%
		Ajo USD	55.6%	Joseph City USD	48.1%
		Littlefield USD	53.8%	Mayer USD	47.7%
		Duncan USD	52.8%	Gila Bend USD	47.2%
		Bagdad USD	52.6%	Ash Fork Joint USD	47.1%
		Fredonia-Moccasin USD	52.6%	Grand Canyon USD	46.7%
		Superior USD	52.2%	Hayden-Winkelman USD	45.7%
		Ray USD	52.1%	Ft. Thomas USD	45.5%
		Heber-Overgaard USD	50.8%	Santa Cruz Valley UHSD	41.7%
		Antelope UHSD	50.7%	Cedar USD	39.2%
7	Very small unified and union high school districts in towns and rural areas	**Peer group average**	**44.5%**		
		San Simon USD	53.1%	Bicentennial UHSD	41.5%
		Seligman USD	53.0%	Peach Springs USD	41.2%
		Bowie USD	52.1%	Patagonia UHSD	40.1%
		Valley UHSD	46.0%	Clifton USD	28.8%
8	Very large and large elementary school districts in cities and suburbs	**Peer group average**	**55.3%**		
		Kyrene ESD	61.8%	Pendergast ESD	55.5%
		Cartwright ESD	58.9%	Glendale ESD	54.8%
		Litchfield ESD	58.4%	Tempe ESD	53.6%
		Washington ESD	55.9%	Yuma ESD	50.1%
		Alhambra ESD	55.5%	Roosevelt ESD	48.6%

Table 2 (Cont'd)

Peer Group					
Number	Description	District Name	Classroom Dollar Percentage	District Name	Classroom Dollar Percentage
9	Medium-large and medium elementary school districts in cities and suburbs	**Peer group average**	**52.2%**		
		Liberty ESD	57.7%	Wilson ESD	51.4%
		Littleton ESD	57.2%	Madison ESD	51.1%
		Buckeye ESD	56.6%	Creighton ESD	50.9%
		Tolleson ESD	56.5%	Union ESD	50.4%
		Fowler ESD	55.6%	Isaac ESD	49.5%
		Avondale ESD	55.2%	Balsz ESD	49.3%
		Crane ESD	52.8%	Phoenix ESD	49.1%
		Casa Grande ESD	51.8%	Murphy ESD	47.7%
		Laveen ESD	51.7%	Osborn ESD	44.3%
10	Medium-large and medium elementary school districts in towns and rural areas	**Peer group average**	**49.2%**		
		Bullhead City ESD	56.6%	Eloy ESD	47.9%
		Mohave Valley ESD	52.9%	Cottonwood-Oak Creek ESD	47.8%
		Palominas ESD	51.5%	Somerton ESD	47.1%
		Gadsden ESD	51.1%	Riverside ESD	46.0%
		Toltec ESD	49.9%	Altar Valley ESD	41.7%
		Stanfield ESD	49.1%		
11	Small elementary school districts in towns and rural areas	**Peer group average**	**53.0%**		
		Continental ESD	58.2%	Santa Cruz ESD	52.1%
		Naco ESD	57.2%	Picacho ESD	51.8%
		Clarkdale-Jerome ESD	57.0%	Sacaton ESD	49.8%
		Beaver Creek ESD	56.6%	Red Rock ESD	49.1%
		Wellton ESD	56.4%	Oracle ESD	48.2%
		Palo Verde ESD	53.7%	Quartzsite ESD	46.4%
		Arlington ESD	52.7%		
12	Very small elementary school districts in towns and rural areas	**Peer group average**	**52.2%**		
		Blue ESD	76.5%	Maine Consolidated ESD	52.3%
		Crown King ESD	69.0%	Tonto Basin ESD	52.2%
		Double Adobe ESD	65.0%	Skull Valley ESD	51.8%
		Aguila ESD	64.5%	Elfrida ESD	51.7%
		Pomerene ESD	62.9%	Morristown ESD	51.7%
		Valentine ESD	60.1%	Congress ESD	50.1%
		Sonoita ESD	59.7%	Yucca ESD	50.1%
		Alpine ESD	58.2%	Salome Consolidated ESD	49.5%
		Hillside ESD	58.2%	Sentinel ESD	49.4%
		Cochise ESD	57.4%	Pine Strawberry ESD	49.2%
		Bonita ESD	56.4%	Wenden ESD	48.5%
		Topock ESD	55.6%	Paloma ESD	48.4%
		Patagonia ESD	54.8%	McNeal ESD	46.9%
		Hyder ESD	54.1%	Mohawk Valley ESD	45.1%
		Pearce ESD	54.1%	San Fernando ESD	43.9%
		Solomon ESD	54.1%	Vernon ESD	43.6%
		Young ESD	54.1%	Concho ESD	42.6%
		Canon ESD	53.3%	Bouse ESD	42.2%
		McNary ESD	53.2%	Owens-Whitney ESD	39.5%
		Yarnell ESD	53.2%	Ash Creek ESD	37.9%
		Kirkland ESD	52.9%	Mobile ESD	36.0%
		Apache ESD	52.4%	Hackberry ESD	34.2%

Table 2 (Concl'd)

Peer Group Description	District Name	Classroom Dollar Percentage	District Name	Classroom Dollar Percentage
Accommodation districts	**Group average**	**45.0%**		
	Pima ASD	66.1%	Gila County Regional SD	41.5%
	Ft. Huachuca ASD	58.1%	Graham County Special Services	39.0%
	Maricopa County Regional SD	51.2%	Navajo County ASD	38.3%
	Mary C. O'Brien ASD	43.4%	Coconino County Regional ASD	35.0%
	Yavapai ASD	42.4%	Santa Cruz County Regional SD	34.5%

Source: Auditor General staff analysis of fiscal year 2011 district-reported accounting data, Arizona Department of Education student membership data, and U.S. Census Bureau location designations reported in the National Center for Education Statistics' Common Core of Data.

Table 3: Districts Grouped by Student Achievement Peer Group and Ranked by Percentage of Students Passing AIMS
Fiscal Year 2011

Peer Group			Percentage of Students Passing		
Number	Description	District Name	Math	Reading	Writing
1	Unified school districts with poverty rates below 11 percent in cities and suburbs	**Peer group average**	**79%**	**91%**	**78%**
		Catalina Foothills USD	84%	95%	86%
		Tanque Verde USD	82%	93%	83%
		Vail USD	85%	92%	77%
		Cave Creek USD	80%	92%	79%
		Queen Creek USD	74%	88%	77%
		Higley USD	75%	89%	73%
		Gilbert USD	74%	87%	75%
2	Unified school districts with poverty rates between 11 and 16 percent in cities and suburbs	**Peer group average**	**71%**	**85%**	**69%**
		Scottsdale USD	77%	89%	74%
		Chandler USD	75%	85%	74%
		Deer Valley USD	72%	87%	71%
		Fountain Hills USD	65%	86%	73%
		Paradise Valley USD	70%	85%	69%
		Peoria USD	70%	84%	65%
		Marana USD	68%	85%	66%
		Dysart USD	68%	80%	62%
3	Unified school districts with poverty rates between 18 and 24 percent in cities and suburbs	**Peer group average**	**63%**	**80%**	**62%**
		Prescott USD	74%	88%	73%
		Humboldt USD	69%	86%	68%
		Amphitheater USD	65%	82%	67%
		Mesa USD	67%	80%	60%
		Apache Junction USD	61%	78%	63%
		Flagstaff USD	58%	75%	57%
		Tucson USD	47%	70%	48%
4	Unified school districts with poverty rates below 13 percent in towns and rural areas	**Peer group average**	**52%**	**75%**	**52%**
		Sahuarita USD	66%	84%	63%
		Pima USD	58%	80%	57%
		J. O. Combs USD	57%	78%	56%
		Maricopa USD	56%	75%	52%
		Florence USD	54%	72%	54%
		Duncan USD	45%	66%	46%
		Seligman USD	30%	68%	33%
5	Unified school districts with poverty rates between 13 and 19 percent in towns and rural areas	**Peer group average**	**53%**	**76%**	**51%**
		San Simon USD	70%	88%	69%
		Benson USD	66%	85%	60%
		Sierra Vista USD	63%	82%	63%
		Morenci USD	62%	82%	53%
		Nadaburg USD	50%	69%	50%
		Bagdad USD	43%	77%	46%
		Grand Canyon USD	47%	68%	45%
		Clifton USD	49%	73%	37%
		Saddle Mountain USD	46%	65%	46%
		Coolidge USD	38%	65%	40%

Table 3 (Cont'd)

Peer Group			Percentage of Students Passing		
Number	Description	District Name	Math	Reading	Writing
6	Unified school districts with poverty rates between 19 and 27 percent in towns and rural areas	**Peer group average**	**58%**	**77%**	**55%**
		Lake Havasu USD	75%	88%	72%
		Thatcher USD	72%	91%	75%
		Sedona-Oak Creek Joint USD	59%	83%	68%
		Snowflake USD	66%	81%	63%
		Joseph City USD	64%	81%	64%
		St. David USD	64%	80%	60%
		Payson USD	62%	83%	63%
		Show Low USD	64%	83%	58%
		St. Johns USD	63%	81%	55%
		Wickenburg USD	64%	79%	54%
		Blue Ridge USD	64%	76%	61%
		Safford USD	62%	78%	57%
		Chino Valley USD	61%	78%	57%
		Tombstone USD	51%	80%	55%
		Round Valley USD	56%	76%	54%
		Winslow USD	54%	76%	50%
		Kingman USD	53%	74%	49%
		Williams USD	51%	69%	54%
		Globe USD	46%	71%	42%
		Superior USD	42%	71%	38%
		Willcox USD	45%	61%	33%
		Fredonia-Moccasin USD	38%	63%	34%
7	Unified school districts with poverty rates between 28 and 36 percent in towns and rural areas	**Peer group average**	**47%**	**69%**	**44%**
		Heber-Overgaard USD	64%	81%	66%
		Colorado City USD	69%	82%	46%
		Flowing Wells USD[1]	65%	78%	59%
		Mammoth-San Manuel USD	57%	82%	56%
		Santa Cruz Valley USD	58%	76%	50%
		Holbrook USD	52%	72%	50%
		Ray USD	57%	72%	45%
		Mayer USD	49%	72%	45%
		Miami USD	47%	71%	43%
		Page USD	49%	63%	42%
		Ash Fork Joint USD	45%	70%	45%
		Littlefield USD	43%	64%	40%
		Red Mesa USD	34%	54%	37%
		Tuba City USD	29%	53%	33%
		Bowie USD	13%	63%	25%
		Gila Bend USD	24%	50%	26%

[1] Although an urban district, Flowing Wells USD was included in group 7 due to its high poverty rate.

Table 3 (Cont'd)

Peer Group			Percentage of Students Passing		
Number	Description	District Name	Math	Reading	Writing
8	Unified school districts with poverty rates greater than 36 percent in towns and rural areas	**Peer group average**	**35%**	**56%**	**33%**
		Nogales USD	65%	80%	60%
		Camp Verde USD	54%	75%	47%
		Parker USD	47%	69%	45%
		Sunnyside USD[2]	49%	68%	44%
		Bisbee USD	42%	72%	49%
		Douglas USD	45%	63%	46%
		Ganado USD	43%	65%	40%
		Kayenta USD	35%	58%	40%
		Hayden-Winkelman USD	35%	59%	35%
		Ajo USD	34%	60%	28%
		Sanders USD	33%	50%	26%
		Whiteriver USD	30%	52%	28%
		Chinle USD	28%	54%	33%
		Window Rock USD	29%	52%	31%
		Pinon USD	30%	49%	22%
		Ft. Thomas USD	28%	47%	29%
		Cedar USD	27%	42%	19%
		Indian Oasis-Baboquivari USD	17%	42%	22%
		Peach Springs USD	24%	36%	16%
		San Carlos USD	9%	24%	12%
9	Union high school districts with poverty rates less than 20 percent in cities and suburbs	**Peer group average**	**64%**	**80%**	**71%**
		Tempe UHSD	73%	86%	79%
		Agua Fria UHSD	66%	83%	74%
		Buckeye UHSD	65%	78%	66%
		Tolleson UHSD	52%	74%	63%
10	Union high school districts with poverty rates greater than 24 percent in cities and suburbs	**Peer group average**	**53%**	**70%**	**59%**
		Glendale UHSD	65%	77%	72%
		Casa Grande UHSD	49%	74%	60%
		Yuma UHSD	52%	62%	53%
		Phoenix UHSD	46%	65%	51%
11	Union high school districts with poverty rates less than 20 percent in towns and rural areas	**Peer group average**	**55%**	**82%**	**66%**
		Patagonia UHSD	67%	100%	82%
		Mingus UHSD	61%	79%	66%
		Antelope UHSD	38%	68%	49%
12	Union high school districts with poverty rates greater than 26 percent in towns and rural areas	**Peer group average**	**41%**	**68%**	**53%**
		Valley UHSD	63%	76%	77%
		Colorado River UHSD	40%	73%	53%
		Bicentennial UHSD	30%	66%	36%
		Santa Cruz Valley UHSD	32%	57%	45%
13	Elementary school districts with poverty rates less than 18 percent in cities and suburbs	**Peer group average**	**62%**	**78%**	**55%**
		Kyrene ESD	77%	89%	73%
		Litchfield ESD	72%	85%	66%
		Liberty ESD	59%	77%	55%
		Buckeye ESD	53%	71%	42%
		Union ESD	51%	66%	40%

[2] Although an urban district, Sunnyside USD was included in group 8 due to its high poverty rate.

Table 3 (Cont'd)

Peer Group		District Name	Percentage of Students Passing		
Number	Description		Math	Reading	Writing
14	Elementary school districts with poverty rates between 19 and 23 percent in cities and suburbs	**Peer group average**	**59%**	**74%**	**48%**
		Madison ESD	70%	84%	64%
		Pendergast ESD	58%	74%	48%
		Casa Grande ESD	62%	75%	43%
		Laveen ESD	60%	71%	47%
		Avondale ESD	55%	72%	46%
		Littleton ESD	51%	68%	40%
15	Elementary school districts with poverty rates between 27 and 37 percent in cities and suburbs	**Peer group average**	**53%**	**69%**	**43%**
		Crane ESD	61%	75%	54%
		Tempe ESD	57%	76%	52%
		Washington ESD	52%	71%	47%
		Tolleson ESD	55%	72%	41%
		Fowler ESD	54%	68%	43%
		Yuma ESD	53%	70%	40%
		Cartwright ESD	54%	67%	37%
		Glendale ESD	48%	64%	39%
		Roosevelt ESD	41%	60%	36%
16	Elementary school districts with poverty rates greater than 41 percent in cities and suburbs	**Peer group average**	**52%**	**67%**	**38%**
		Wilson ESD	58%	72%	45%
		Alhambra ESD	56%	70%	39%
		Osborn ESD	55%	67%	41%
		Creighton ESD	51%	68%	43%
		Isaac ESD	50%	64%	38%
		Phoenix ESD	45%	65%	37%
		Murphy ESD	48%	66%	30%
		Balsz ESD	51%	61%	31%
17	Elementary school districts with poverty rates less than 17 percent in towns and rural areas	**Peer group average**	**59%**	**75%**	**50%**
		Maine Consolidated ESD	75%	90%	55%
		Pomerene ESD	67%	89%	63%
		Continental ESD	66%	83%	60%
		Red Rock ESD	61%	77%	61%
		Skull Valley ESD	56%	75%	50%
		Morristown ESD	56%	71%	50%
		San Fernando ESD	35%	41%	11%
		Blue ESD[3]	-	-	-
18	Elementary school districts with poverty rates between 18 and 21 percent in towns and rural areas	**Peer group average**	**60%**	**75%**	**51%**
		Congress ESD	86%	87%	83%
		Clarkdale-Jerome ESD	76%	87%	58%
		Bonita ESD	62%	80%	59%
		Mobile ESD	67%	83%	50%
		Pine Strawberry ESD	59%	83%	56%
		Oracle ESD	57%	76%	48%
		Beaver Creek ESD	53%	71%	39%
		Picacho ESD	50%	59%	44%
		Toltec ESD	45%	67%	37%
		Wellton ESD	41%	61%	34%
		Crown King ESD[3]	-	-	-

[3] Information is not shown because the district had ten or fewer students.

Table 3 (Cont'd)

Peer Group			Percentage of Students Passing		
Number	Description	District Name	Math	Reading	Writing
19	Elementary school districts with poverty rates between 21 and 26 percent in towns and rural areas	**Peer group average**	**59%**	**77%**	**48%**
		Alpine ESD	98%	100%	80%
		Sonoita ESD	78%	95%	65%
		Sentinel ESD	82%	82%	50%
		Palo Verde ESD	68%	76%	64%
		Hillside ESD	50%	95%	57%
		Elfrida ESD	53%	76%	53%
		Mohave Valley ESD	54%	74%	48%
		Young ESD	56%	83%	29%
		Stanfield ESD	54%	65%	43%
		McNeal ESD	49%	74%	33%
		Valentine ESD	47%	59%	43%
		Quartzsite ESD	50%	65%	31%
		Riverside ESD	43%	66%	35%
		Double Adobe ESD	44%	61%	N/A
		Apache ESD[3]	-	-	-
20	Elementary school districts with poverty rates between 27 and 34 percent in towns and rural areas	**Peer group average**	**57%**	**75%**	**42%**
		Vernon ESD	68%	89%	64%
		Palominas ESD	65%	86%	62%
		Solomon ESD	71%	88%	46%
		Owens-Whitney ESD	72%	89%	40%
		Mohawk Valley ESD	61%	77%	62%
		Concho ESD	60%	81%	49%
		Cottonwood-Oak Creek ESD	56%	78%	53%
		Yarnell ESD	63%	79%	43%
		Aguila ESD	71%	81%	26%
		Pearce ESD	56%	78%	43%
		Hyder ESD	64%	59%	34%
		Eloy ESD	42%	62%	32%
		Naco ESD	20%	47%	25%
		Sacaton ESD	28%	50%	11%
21	Elementary school districts with poverty rates between 35 and 42 percent in towns and rural areas	**Peer group average**	**54%**	**70%**	**50%**
		Cochise ESD	79%	89%	70%
		Santa Cruz ESD	63%	81%	75%
		Yucca ESD	75%	75%	67%
		Bouse ESD	65%	88%	43%
		Topock ESD	55%	76%	48%
		Patagonia ESD	43%	64%	61%
		Somerton ESD	52%	67%	48%
		Salome Consolidated ESD	45%	71%	46%
		Kirkland ESD	44%	74%	39%
		Altar Valley ESD	53%	66%	33%
		Gadsden ESD	48%	59%	43%
		McNary ESD	43%	59%	36%
		Wenden ESD	22%	46%	44%
		Hackberry ESD	64%	64%	N/A

[3] Information is not shown because the district had 10 or fewer students.

Table 3 (Concl'd)

Peer Group			Percentage of Students Passing		
Number	Description	District Name	Math	Reading	Writing
22	Elementary school districts with poverty rates greater than 46 percent in towns and rural areas	**Peer group average**	**49%**	**70%**	**43%**
		Tonto Basin ESD	64%	78%	53%
		Arlington ESD	58%	78%	41%
		Bullhead City ESD	56%	73%	45%
		Canon ESD	61%	73%	40%
		Paloma ESD	39%	52%	36%
		Ash Creek ESD	14%	67%	42%

Source: Auditor General staff analysis of fiscal year 2011 Arizona Department of Education student membership data and Arizona's Instrument for Measuring Standards (AIMS) data and fiscal year 2010 U.S. Census Bureau poverty rates and U.S. Census Bureau location designations reported in the National Center for Education Statistics' Common Core of Data.

Appendix C

Definition of the classroom dollar percentage

The definition of classroom dollars used in this report is based on the same definition developed by the U.S. Department of Education's National Center for Education Statistics for "instruction." The classroom dollar percentage is the amount spent for classroom purposes divided by the total amount spent for day-to-day operations, or total current expenditures. The calculation excludes monies spent for debt repayment; capital outlay, such as purchasing land, buildings, and equipment; and programs outside the scope of preschool through grade-12 education, such as adult education and community services. Total current expenditures include classroom and nonclassroom expenses as shown below:

Classroom dollars

- **Classroom personnel—**Salaries and benefits for teachers, teachers' aides, substitute teachers, graders, and guest lecturers.
- **General instructional supplies—**Paper, pencils, crayons, etc.
- **Instructional aids—**Textbooks, workbooks, instructional software, films, etc.
- **Activities—**Field trips, athletics, and cocurricular activities such as choir and band.
- **Tuition—**Paid to out-of-state and private institutions.

Nonclassroom dollars

- **Administration—**Salaries and benefits for superintendents; principals; business managers; and clerical and other staff who perform accounting, payroll, purchasing, warehousing, printing, human resource activities, and administrative technology services; and other costs related to these services and the governing board.
- **Plant operations and maintenance—**Salaries, benefits, and other costs related to equipment repair, building maintenance, custodial services, groundskeeping, and security; and costs for heating, cooling, and property insurance.
- **Food service—**Salaries, benefits, food supplies, and other costs related to preparing, transporting, and serving meals and snacks.
- **Transportation—**Salaries, benefits, and other costs related to maintaining buses and transporting students to and from school and school activities.
- **Student support services—**Salaries and benefits for attendance clerks, social workers, counselors, nurses, audiologists, and speech pathologists and other costs related to these support services to students.
- **Instruction support services—**Salaries and benefits of curriculum directors, special education directors, teacher trainers, librarians, media specialists, and instruction-related IT staff and other costs related to assisting instructional staff in the delivery of instruction.

Scope

All of the State's 239 school districts were included in calculating the state-wide classroom dollar percentage. However, some districts were excluded from further analysis:

- When calculating individual district classroom dollar percentages, transporting districts were excluded. These districts transport all their students to other districts and, therefore, do not have classroom expenditures.
- When analyzing state-wide trends in the efficiency of district operations, very small districts (serving fewer than 200 students), accommodation districts, and joint technical education districts were also excluded. These districts are unique in operation and have wide ranges of operational costs, and would, thereby, distort the analysis of factors generally affecting other district types.
- Only 225 districts received Classroom Site Fund (CSF) monies for fiscal year 2011. The 14 districts not receiving fiscal year 2011 Proposition 301 monies included the 8 transporting districts and 6 of the 13 joint technical education districts.

Methodology

To analyze the most current expenditure and budget data available for Arizona's districts, auditors obtained fiscal year 2011 district Annual Financial Reports (AFRs) and budgets from the Arizona Department of Education. In addition, all of the State's 239 school districts provided auditors with fiscal year 2011 accounting data. However, only 223 of the 225 districts that received CSF monies submitted summaries of their CSF expenditures and program results, and auditors were unable to obtain the information for the two districts that did not submit information. The information used to prepare this report was not audited; however, it was subject to certain quality control procedures to help ensure its reasonableness. For example, instead of auditing the AFRs, budgets, and accounting data to the underlying district records, auditors performed analytical procedures using the financial data and CSF Narratives and interviewed school district officials about significant anomalies or variances. Auditors corrected any data errors prior to calculating classroom dollar percentages and analyzing performance measures.

Other information related to the analysis was obtained from the Arizona Department of Education, such as school district staffing levels, academic achievement indicators, bus mileage, and average daily membership counts; and from the Arizona School Facilities Board, such as square footage and number of schools. In addition, auditors obtained national financial data from the National Center for Education Statistics, and district-level poverty rates and location relative to population centers from the U.S. Census Bureau.

To compare the school districts' efficiency and effectiveness, auditors developed two types of district peer groups. First, to compare performance measures related to costs, auditors developed operational peer groups using district size, type, and location. The six size categories are defined in Appendix A (see page a-1). Auditors grouped high school districts with unified districts because both districts serve high school students. The U.S. Census Bureau classifies districts by distance and population density into four main categories: city, suburban area, town,

and rural area. Auditors grouped together districts located in city and suburban areas and then also grouped together districts located in town and rural areas. On the left-hand side of this report's district pages, auditors compared each district's expenditures and operational performance measures to those of its efficiency peer group averages. Table 2 in Appendix B lists districts within each efficiency peer group (see pages b-1 through b-4). Second, to compare districts' academic indicators, auditors developed student achievement peer groups using poverty rates, district type, and location. Poverty rate was considered because it appears to be strongly related to student achievement. On the right-hand side of the district pages, auditors compared each district's academic indicators, such as the percentage of students who passed Arizona's Instrument to Measure Standards (AIMS), attendance rate, and graduation rate, to the averages of its student achievement peer group. Table 3 in Appendix B lists districts within each student achievement peer group (see pages b-5 through b-10).