

## Arizona school districts’ and charter schools’, and ADE’s discretionary, COVID-19 federal relief spending—in fiscal year 2022 and in total through June 30, 2022

This special report provides summary information and 4 interactive dashboards with Arizona school districts’ and charter schools’ (districts and charters) reported spending in fiscal year (FY) 2022 and in total through June 30, 2022, and planned future spending of allocated/awarded (awarded) COVID-19 federal relief monies (relief monies), as required by Laws 2021, Ch. 408, §54.

This special report also provides Arizona Department of Education (ADE)-reported spending in FY 2022 and in total through June 30, 2022, and planned future spending of the discretionary federal relief monies that it received, as required by the law. This information is included below the dashboards and “Report-wide footnotes” sections.

Our January 1, 2023, report included 3 findings and recommendations related to district and charter planned future relief monies spending, noncompliance with statutory reporting requirements, and district- and charter-reported information that appears inconsistent and potentially misreported. In July 2023, we issued a followup to our January 2023 report, describing districts and charters efforts to implement recommendations from the 3 findings in the “Summary” and “Findings, recommendations, and followup” expandable sections below. Specifically, we followed up with districts and charters to obtain additional detail about their planned future relief monies spending and to provide them an opportunity to correct noncompliance with reporting requirements. We also gathered audited fund balance information for all districts and charters to provide more complete and transparent financial information. To provide accurate and complete financial reporting for decision-makers, stakeholders, and the public, we continued to follow up with the districts and charters that were cited for noncompliance and updated their information, as applicable, in November 2023. This final followup concludes our work on the districts’ and charters’ efforts to implement recommendations from our January 2023 report.

### Districts and charters reported spending \$2.2 billion, or almost half, of their relief monies through June 30, 2022



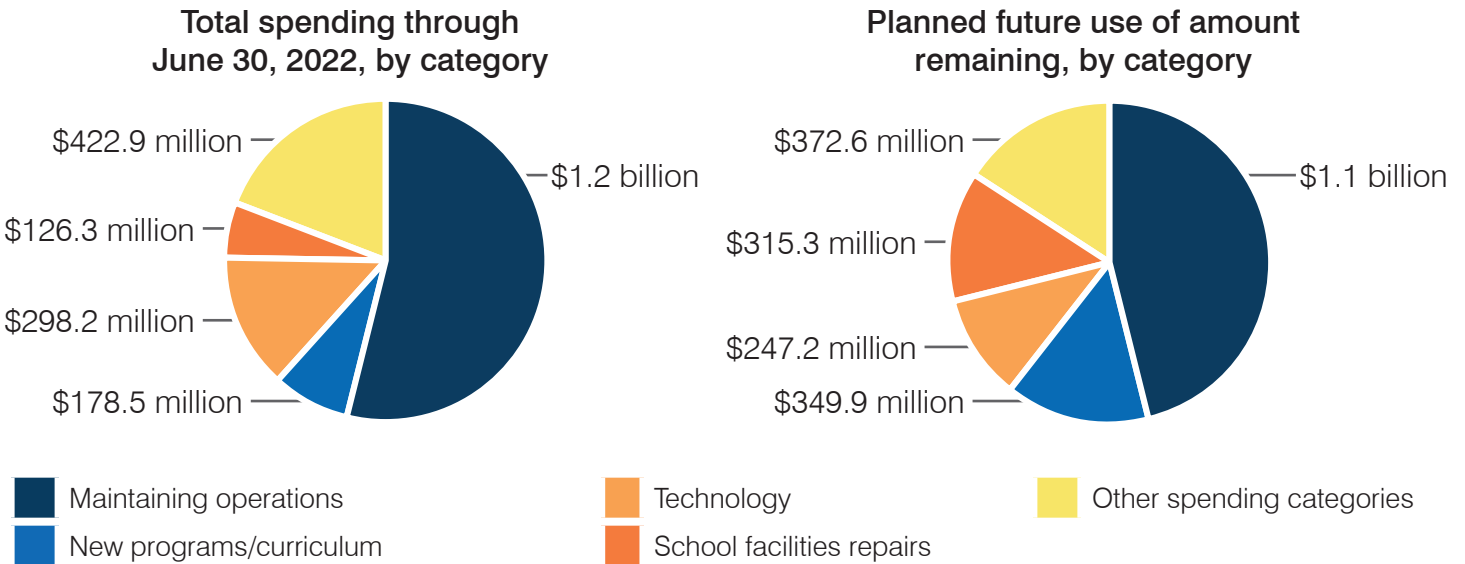
Districts and charters reported spending just over \$2.2 billion, or 48 percent, of their nearly \$4.6 billion allocated relief monies through June 30, 2022. See Dashboard A for additional total spending details and Dashboard B for spending by individual district or charter.

# ADE had yet to spend/distribute almost \$322 million, or 79 percent, of its discretionary relief monies as of June 30, 2022



ADE identified spending priorities for its discretionary relief monies, of which it had \$321.7 million, or 79 percent, yet to spend/distribute as of June 30, 2022. See “ADE’s reported spending for FY 2022 and in total through June 30, 2022, and planned future spending” section below for more information on ADE’s spending and planned future spending.

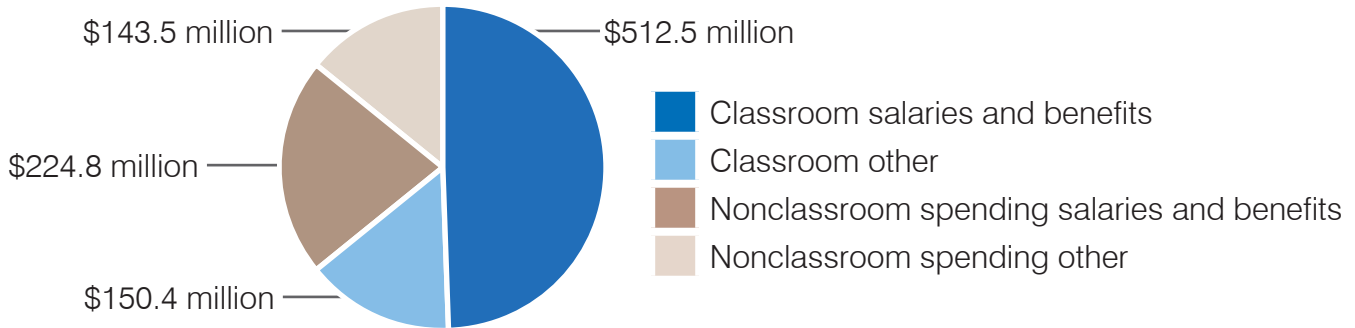
## Districts’ and charters’ reported largest portion of spending through June 30, 2022, and planned future spending of relief monies on maintaining operations



Districts and charters continued to report spending and planning to spend the largest portion of relief monies on maintaining operations, almost \$1.2 billion, or 54 percent, spent through June 30, 2022, and almost \$1.1 billion, or 45 percent, planned for future spending. In FY 2022 alone, districts and charters reported spending \$572.5 million on maintaining operations. See Dashboards A and B for total spending details and Dashboard D for FY 2022 spending details, including by individual district and charter.

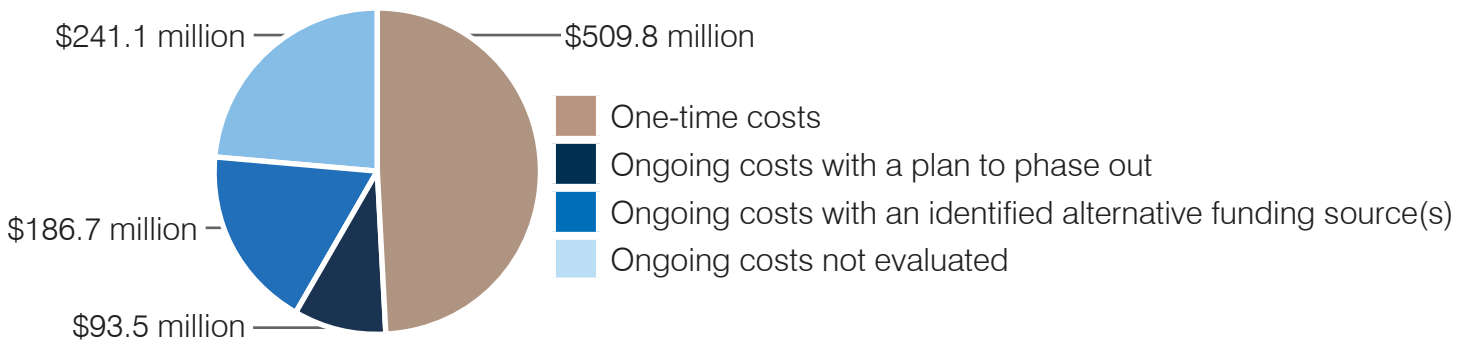
# Districts' and charters' reported most planned future spending of relief monies for maintaining operations for salaries and benefits; and most planned costs will be eliminated or phased out when these monies are no longer available

Planned future spending for maintaining operations by category



Of the almost \$1.1 billion of remaining relief monies districts and charters reported planning to spend on maintaining operations, districts and charters reported detailed spending for over \$1.0 billion, indicating they plan to spend nearly \$512.5 million, or 50 percent, on classroom salaries and benefits; approximately \$224.8 million, or 22 percent, on nonclassroom salaries and benefits; and the remaining \$293.9 million, or 28 percent, on other classroom and nonclassroom spending to maintain operations.

Future maintaining operations spending plan details

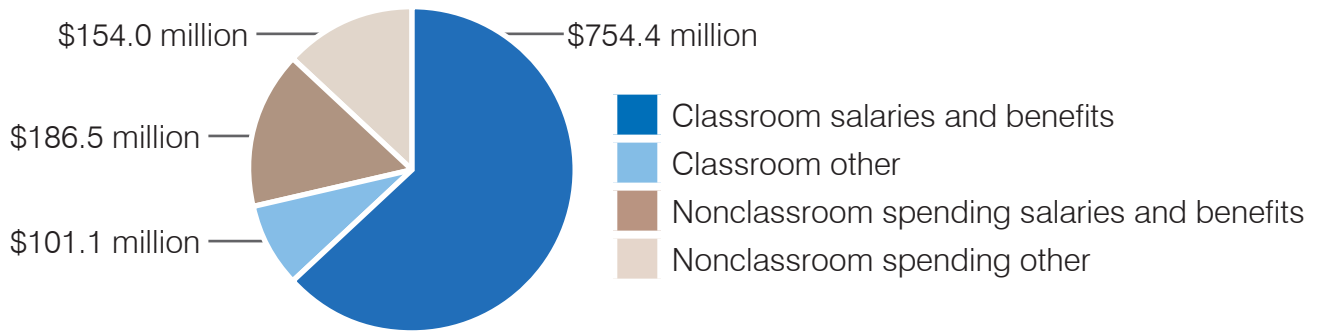


Further, districts and charters reported over \$603.3 million, or 59 percent, of planned spending would be for one-time costs or ongoing costs that would phase out and approximately \$186.7 million, or 18 percent, of the planned spending would be for ongoing costs that will continue to be funded with alternative revenue sources when the relief monies are no longer available. Of the 276 districts and charters planning to support future maintaining operations spending from an alternative revenue source, 78 percent plan to use some State equalization assistance to fund at least a portion of their spending. The other most common revenue sources identified were existing fund balances, followed by other federal grants, and State grants. However, districts and charters reported that they did not evaluate \$241.1 million, or 23 percent, of their planned spending, and they may need to phase out those costs if an alternative funding source cannot be identified before relief monies are no longer available.

See Dashboards A and B for total planned spending details, including by individual district and charter.

# Districts and charters reported most relief monies spent to maintain operations through June 30, 2022, were spent on classroom and nonclassroom salaries and benefits

Classroom and nonclassroom spending detail for the maintaining operations category

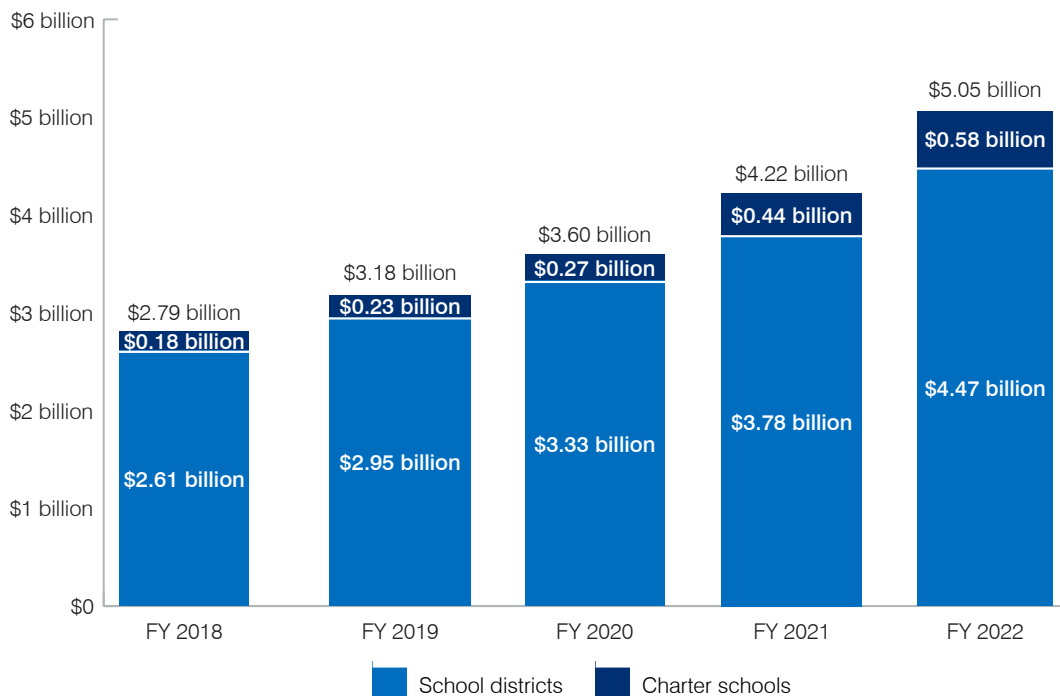


Of the almost \$1.2 billion of relief monies districts and charters reported spending on maintaining operations through June 30, 2022, districts and charters reported spending nearly \$855.6 million, or 72 percent, in the classroom, which includes over \$754.4 million spent on classroom-related salaries and benefits and over \$101.1 million spent on other classroom-related costs. The remaining over \$340.5 million, or 28 percent, spent on maintaining operations was spent on nonclassroom salaries, benefits, and other costs.

See Dashboard A for the classroom and nonclassroom spending details for all spending categories, State-wide or by county or legislative district; and see Dashboard B for related details by individual district or charter.

# State-wide district and charter ending fund balances have increased every year since FY 2018, including a \$1.45 billion increase after FY 2020 when they first received relief monies

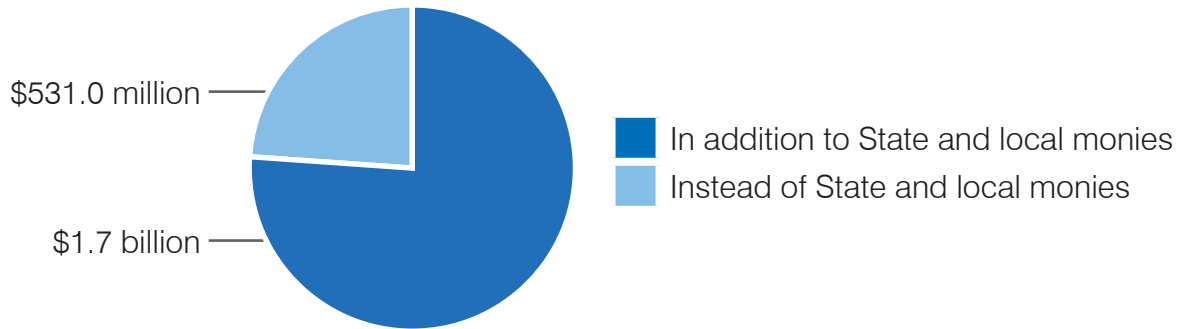
District and charter ending fund balances for FYs 2018 through 2022



While some districts and charters have experienced decreasing fund balances, most districts and charters increased fund balances between FYs 2018 and 2022. State-wide ending fund balances increased over \$1.45 billion, or approximately 40 percent, after FY 2020, the first-year districts and charters received relief monies. Specifically, since FY 2020 district fund balances increased over \$1.14 billion, or 34 percent, and charter fund balances increased approximately \$0.31 billion, or 115 percent.

## Districts and charters reported spending the majority of relief monies through June 30, 2022, in addition to their available State and local monies but fund balance information appears to contradict and raises questions

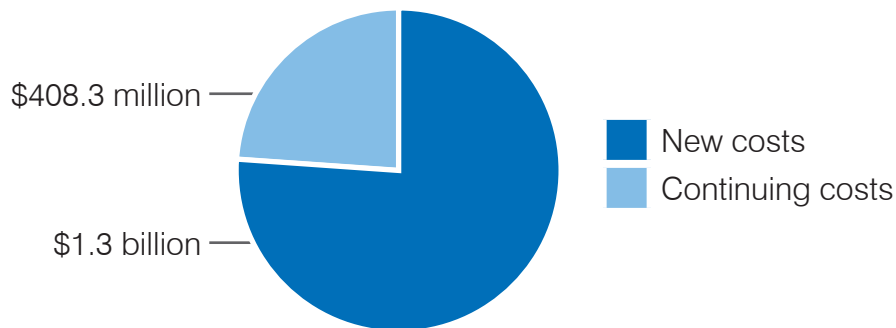
COVID-19 federal relief spending through June 30, 2022, in addition to or instead of available State and local monies



Through June 30, 2022, districts and charters reported spending almost \$1.7 billion, or 76 percent, of the total \$2.2 billion relief monies they spent as being in addition to available State and local monies and just under \$531.0 million, or 24 percent, as being instead of available State and local monies. However, 217 districts and charters reported relief monies spending that appears to contradict fund balance information, which raises questions about the reliability of the information they reported (see the summary of findings, recommendations, and followup below and the “Finding 3, recommendation, and followup” section for more details).

## Districts and charters reported spending relief monies through June 30, 2022, in addition to available State and local monies primarily for new costs

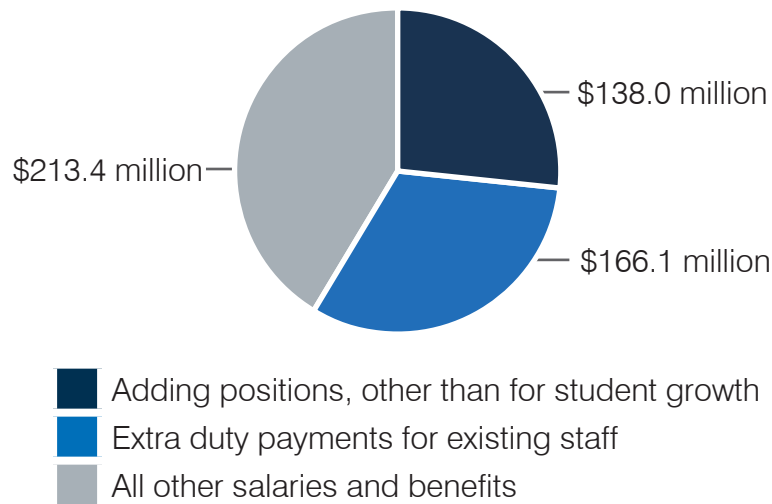
COVID-19 federal relief monies spent in addition to available State and local monies for new and continuing costs



Of the \$1.7 billion districts and charters reported spending in addition to available State and local monies, almost \$1.3 billion, or 76 percent, was reported as spent on new costs that were not similar to costs districts and charters incurred prior to March 2020, the start of the COVID-19 pandemic. See below for the types of new costs districts and charters reported incurring.

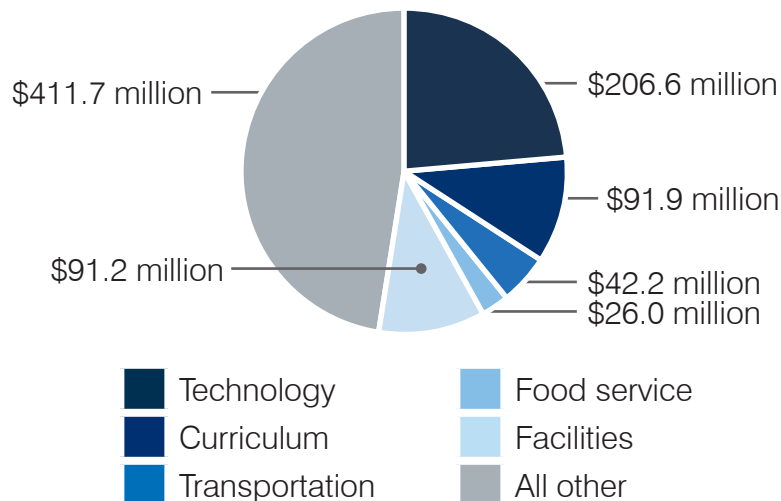
## Districts and charters reported incurring new costs after the start of the pandemic in March 2020, such as salaries and benefits costs including extra duty pay for existing staff and technology

**New costs for salaries and benefits costs**



Districts and charters reported spending \$517.5 million on new salaries and benefits costs with just over \$138.0 million, or 27 percent, spent for adding positions for other than student population growth and \$166.1 million, or 32 percent, spent for extra duty pay to existing staff.

**New costs for all other spending**



Districts and charters also reported spending almost \$869.6 million on all other new costs with \$206.6 million, or 24 percent, spent for technology. Costs reported as “other” can include purchased professional and technical services; employee training and professional development services; safety items such as PPE; purchased property services such as utilities and trash disposal; community services; tuition; and debt service payments for principal and interest.

See Dashboard C for additional reported spending details, including how districts and charters reported spending relief monies in addition to or instead of available State and local monies within each spending purpose shown.

# Findings, recommendations, and followup

Our January 2023 report contained 3 findings and recommendations related to district and charter planned future relief monies spending, noncompliance with reporting requirements, and district- and charter-reported information that appears inconsistent. The follow-up implementation status of those recommendations is as follows:

## Finding 1: Districts and charters plan to spend \$1.1 billion of remaining COVID-19 federal relief monies that expire in 2024 for ongoing expenses to maintain operations; therefore, they need to develop plans for operational needs supported by these monies

**November 2023 follow-up implementation status:** Approximately 40 percent of districts and charters reported having a written plan for supporting operations once their federal relief monies planned for maintaining operations are no longer available; however, some districts and charters without a written plan were able to classify most reported planned maintaining operations spending into 3 categories: one-time costs, ongoing costs that will be phased out, and ongoing costs that will be supported from alternative funding sources.

Specifically, of the 593 districts and charters that reported maintaining operations planned spending, only 240 reported they had a written plan for meeting operational needs when these relief monies are no longer available after September 2024, while 350 reported they did not have a written plan. Additionally, 3 charters failed to respond to our repeated requests for plan information. See the “Finding 1, recommendation, and followup” section below and Dashboards A and B for additional details about the maintaining operations planned spending classifications.

## Finding 2: Some districts and charters failed to report statutorily required financial information necessary for relief spending special report, limiting transparency and completeness of information for decision-makers, stakeholders, and public

**November 2023 follow-up implementation status:** Most districts and charters we previously cited for noncompliance with statutorily required reporting resubmitted reporting forms that corrected their noncompliance; however, some districts and charters did not correct their noncompliance, and some districts and charters did not submit required follow-up reporting.

Specifically, of the 21 districts and 64 charters that originally did not comply with the statutory reporting requirements:

- 12 districts and 48 charters resubmitted COVID-19 reporting forms that corrected their cited noncompliance item(s) by July 2023.
- 9 districts and 11 charters resubmitted COVID-19 reporting forms that corrected their noncompliance item(s) by November 2023.
- 5 charters did not correct their cited noncompliance item(s) and are referenced with the applicable footnote(s) in the dashboards.

Further, 3 charters did not submit required follow-up reporting. See the “Report-wide footnotes” section below for information on the specific reporting noncompliance; the data file for filtering instructions for how to generate a list of the noncompliant districts and charters by the specific nature of the noncompliance; and the “Finding 2, recommendation, and followup” section below for additional information.

## **Finding 3: Some districts and charters reported financial information that appears inconsistent when compared to other financial information, indicating they may have misreported information and limiting the availability of complete and transparent information on relief money spending impacts**

**November 2023 follow-up implementation status:** Dashboard C includes fund balance information from audited financial statements or annual financial reports when financial statements were not available and shows that 217 districts and charters reported relief money spending in addition to or instead of State and local monies that appears to contradict their reported fund balance increase or decrease.

Therefore, to increase transparency and provide decision-makers, other stakeholders, and the public more complete financial information, the Auditor General added additional fund balance/reserve reporting to district and charter FY 2023 annual financial reports and will add similar required reporting to FY 2025 budget forms. See the “Finding 3, recommendation, and followup” section below and Dashboard C for additional details about reported relief spending and fund balances.