

Arizona School District Spending Fiscal Year 2018

CONCLUSION: In fiscal year 2018, Arizona districts spent 54 percent of available operating dollars on instruction—the second consecutive increase in the instructional spending percentage in 14 years. However, since its peak in fiscal year 2004, the State’s instructional spending percentage has declined 4.6 percentage points, while the percentages spent on all other operational areas have increased. Between fiscal years 2017 and 2018, districts’ operational spending increased by \$119 million with \$82 million of the increase spent on instruction. With the additional instructional spending, between fiscal years 2017 and 2018, the State’s average teacher salary increased from \$48,372 to \$48,951. 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. Finally, Arizona school districts spent about \$3,500 less per pupil than the national average and allocated their resources differently, spending a lower percentage of resources on instruction and administration and a greater percentage on all other operational areas.

Instructional spending increased slightly to 54 percent but remains lower than highest level spent since monitoring began in 2001

In fiscal year 2018, Arizona districts spent 54 percent of their available operating dollars on instruction, representing the second consecutive increase in 14 years—In fiscal year 2018, Arizona school districts spent 54 percent of available operating dollars on instruction. This is a slight increase over the 53.8 percent spent on instruction in fiscal year 2017 and the second consecutive increase in the instructional spending percentage in 14 years. In fiscal year 2001, Arizona districts spent 57.7 percent of available operating dollars on instruction. Then in fiscal year 2002, districts began receiving Classroom Site Fund monies intended to increase instructional spending. Soon after, in fiscal years 2003 and 2004, the State’s instructional spending percentage reached its highest level at 58.6 percent. However, the percentage of resources spent on instruction then declined nearly every year between fiscal years 2004 and 2016, before increasing slightly by 0.3 percentage points in fiscal year 2017 and by an additional 0.2 percentage points in fiscal year 2018 to 54 percent.

District operational spending increased \$119 million between fiscal years 2017 and 2018 with \$82 million of the increase spent on instruction—Between fiscal years 2017 and 2018, Arizona school districts’

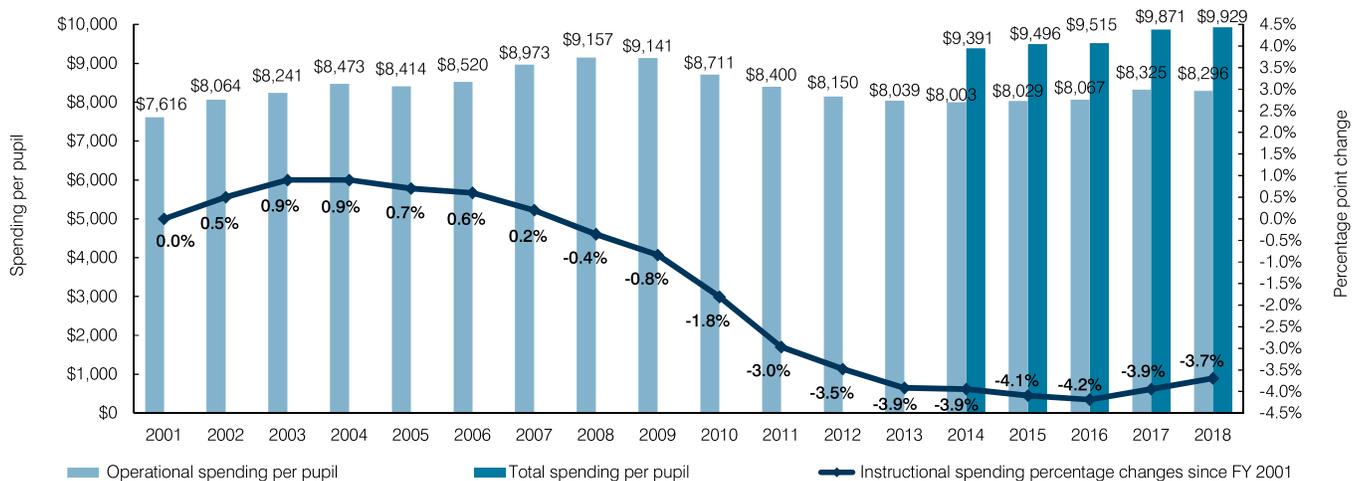
Comparison of expenditures by operational area, in total and per pupil Fiscal years 2016 through 2018

	2016		2017		2018	
	Total	Per Pupil	Total	Per Pupil	Total	Per Pupil
Instruction	\$3,757,466,481	\$4,145	\$3,958,363,889	\$4,377	\$4,040,764,088	\$4,480
Administration	730,535,703	806	763,609,229	844	775,898,361	860
Plant operations	851,357,174	939	884,032,443	977	891,276,937	988
Food service	375,997,915	415	381,401,751	422	382,924,905	425
Transportation	329,849,846	364	344,766,680	381	349,886,767	388
Student support	573,359,632	633	614,408,571	679	624,968,437	693
Instruction support	403,105,191	444	416,864,985	461	416,309,009	462
Total	\$7,021,671,942	\$7,746	\$7,363,447,548	\$8,141	\$7,482,028,504	\$8,296

operational spending increased by approximately \$119 million, or \$155 per pupil. The increase between fiscal years 2017 and 2018 may have been larger had it not been for fiscal year 2017 spending likely including unspent fiscal year 2016 Proposition 123 monies. In May 2016, voters passed Proposition 123, which provides school districts with additional resources each year. Those additional resources totaled approximately \$262 million in fiscal year 2016, approximately \$263 million in fiscal year 2017, and approximately \$264 million in fiscal year 2018. Between fiscal years 2017 and 2018, districts increased spending on most operational areas, with the majority of the increased spending on instruction, which resulted in a slight increase in the State-wide instructional spending percentage. With the additional instructional spending in fiscal year 2018, districts increased the State's average teacher salary from \$48,372 to \$48,951. Additionally, districts employed a total of 101 additional teachers, which resulted in a slight reduction in the State's students per teacher ratio.

Despite a slight increase between fiscal years 2017 and 2018, percentage of resources spent on instruction remains lower than in most prior years—Since fiscal year 2001, after controlling for inflation, Arizona school districts' operational spending per pupil has increased 8.9 percent, from \$7,616 (\$5,374 unadjusted) in fiscal year 2001 to \$8,296 in fiscal year 2018. Although districts spent a similar amount per pupil in fiscal year 2018 as they did in fiscal year 2004 when adjusted for inflation, districts spent only 54 percent on instruction in fiscal year 2018 compared to 58.6 percent in fiscal year 2004, which was the peak percentage since monitoring began. Since its peak in fiscal year 2004, the State's instructional spending percentage has declined 4.6 percentage points. At the same time, the percentage of available operating dollars spent on all other operational areas has increased. At a State level, the decline in the instructional spending percentage between fiscal years 2004 and 2018 is indicative of fewer actual dollars being spent on instruction. After controlling for inflation, total per pupil spending decreased \$177 per pupil, or 2.1 percent, between fiscal years 2004 and 2018. At this same time, spending on instruction decreased an even greater amount, \$483 per pupil, or 9.7 percent, while spending on all other operational areas increased or remained relatively steady.

**Arizona's operational and total spending per pupil and change in instructional spending percentage since fiscal year 2001 (inflation adjusted to fiscal year 2018 dollars)
Fiscal years 2001 through 2018**



Districts spent at widely differing levels and operated at varying degrees of efficiency

Districts spent at widely differing levels—In fiscal year 2018, as in prior years, there was a wide range in total per pupil operational spending among Arizona districts. Even when excluding Arizona's very small districts, which have highly variable spending patterns, fiscal year 2018 spending by district ranged from \$6,494 per pupil to \$19,740 per pupil. Districts also varied greatly in their nonoperational spending, which includes costs incurred to acquire capital assets, interest, and programs such as adult education and community service that are outside the scope of preschool through grade 12 education. In fiscal year 2018, after excluding Arizona's very small districts, nonoperational spending by district ranged from \$246 per pupil to \$12,024 per pupil.

Arizona's school-district-funding formula provides similar districts with a similar amount of basic funding. However, after basic funding, districts may receive additional revenues through various funding formulas that are designed to offset

expected higher costs. For example, districts receive additional monies for special needs students and if they are located in isolated areas or have more experienced teachers. Districts may also qualify for federal impact aid or State or federal grants, and some districts may also receive monies as a result of a desegregation agreement or court order, a small school adjustment, or a voter-approved budget override.

Wide range of costs among similar districts indicates potential for improved efficiency at some districts—

Although a district’s efficiency can be affected by its size, type, and location, wide ranges of costs among districts grouped by these factors indicate that some districts have achieved lower costs than other districts of similar size, type, and location. Our performance audits have identified a variety of efficient and inefficient district practices. For example, more efficient districts monitored performance measures, used staffing formulas, had energy conservation plans, maximized the use of free federal food commodities, limited waste by closely monitoring meal production, and adjusted bus routes to ensure that buses were filled to at least 75 percent of capacity. In contrast, less efficient districts had costly benefit packages and higher noninstructional staffing levels, operated schools far below designed capacity, did not monitor energy consumption, had poorly written vendor contracts, and paid bus drivers for time not spent working.

Cost variance examples

- A very large, urban, unified district spent \$583 per pupil for administration; another spent \$929 per pupil.
- A medium-sized, rural, unified district spent \$3.11 per square foot for plant operations; another spent \$12.91 per square foot.
- A medium-sized, rural, unified district spent \$2.88 per meal; another spent \$5.20 per meal.
- Two medium-large-sized, urban, elementary districts drove a similar number of miles per rider; 1 district spent \$5.30 per mile, and the other spent \$9.63 per mile.

Districts that operate efficiently allocate more of their resources to instruction—Districts that operate efficiently have more dollars available to spend on instruction. Our performance audits of individual districts have found that efficient districts—those that perform better than their peers on performance measures of operational efficiency—tend to have higher instructional spending 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 of available operating dollars on instruction.

Operational efficiency can impact districts’ financial stress levels—This report assesses 6 district-level measures that provide information on district finances, identify potential problems, and suggest the need for possible corrective action. In fiscal year 2018, 6 districts were found to have a high financial stress level, 25 a moderate level, and 176 a low level. Having a high or moderate financial stress level can be a sign that a district has inefficient operations. However, there are many districts with a low financial stress level that also operated inefficiently compared to their peers. These districts often had access to additional resources not typically available to most districts, such as desegregation monies or federal impact aid monies, that allowed them to operate inefficiently and contributed to their lower financial stress levels. Therefore, even those districts found to have a low financial stress level may need to take additional actions to operate efficiently or address other areas of concern. This financial stress assessment does not reflect changes that may have occurred during the current fiscal year; for example, if a district experienced a significant drop in student enrollment but did not make appropriate changes to its spending.

**Number of districts by overall financial stress level
Fiscal year 2018**

Stress level	Number of districts
High stress	6
Moderate stress	25
Low stress	176

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

Arizona school districts spent less than national averages in nearly all operational areas—In fiscal year 2018, Arizona school districts spent approximately \$3,500 less per pupil than the 2016 national average (most recent national data available). This lower spending is seen in instruction, as well as every noninstructional operational area except student support, which was similar to the national average. Arizona districts spent a similar amount in nonoperational areas compared to the national average, spending less per pupil on land and buildings and interest and more on equipment and other programs, such as adult education and community service programs that are outside the

scope of preschool through grade 12 education.

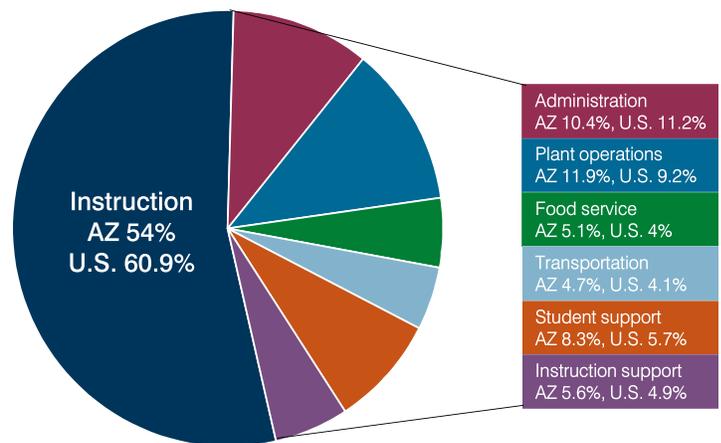
Compared to national averages, Arizona school districts received a greater percentage of their revenues from federal sources and a smaller percentage from State and local sources. Federal revenues comprised a greater percentage of Arizona school district revenues, in part because Arizona school districts received more federal dollars per pupil than the national average, but primarily because Arizona school districts received fewer revenues per pupil overall.

Arizona school districts allocated their resources differently than national averages—Compared to national averages, Arizona school districts spent a lower percentage of their available resources on instruction and administration and a greater percentage on all other operational areas. In fiscal year 2018, Arizona districts spent 54 percent of available operating dollars on instruction, 6.9 percentage points below the national average of 60.9 percent. Many factors may account for Arizona’s lower percentage of instructional spending, one of which is average teacher salary. Compared to the fiscal year 2017 national average (most recent year national data available), Arizona’s average teacher salary was \$48,372 that year, while the national average was \$59,660. Part of the reason for Arizona’s lower average teacher salary may be due to Arizona’s teachers having fewer years of experience, on average, when compared with the national average. Compared to the fiscal year 2016 national average (most recent year national data available), Arizona’s teachers averaged 11 years of experience that year, while the national average was 13.7 years of experience. Another factor that may account for Arizona’s lower percentage of instructional spending is class size. In fiscal year 2017, Arizona’s class size was 18.5 students per teacher compared to the national average of 16 students per teacher. The relatively low instructional spending percentage was not the result of high administration costs because Arizona districts allocated a slightly smaller percentage of resources for administration than the national average. However, Arizona districts allocated a larger percentage of resources to all the other operational areas.

Comparison of Arizona and U.S. per pupil spending by area Fiscal years 2018 (Arizona) and 2016 (U.S.)

Spending by area	Arizona average 2018	National average 2016	Difference
Instruction	\$ 4,480	\$ 7,211	\$ (2,731)
Administration	860	1,328	(468)
Plant operations	988	1,093	(105)
Food service	425	470	(45)
Transportation	388	483	(95)
Student support	693	676	17
Instruction support	462	580	(118)
Total operational	8,296	11,841	(3,545)
Land and buildings	827	898	(71)
Equipment	409	214	195
Interest	228	348	(120)
Other	169	157	12
Total nonoperational	1,633	1,617	16
Total per pupil spending	\$ 9,929	\$ 13,458	\$(3,529)

Comparison of Arizona and U.S. spending by operational area Fiscal years 2018 (Arizona) and 2016 (U.S.)



Individual district information

In addition to the State-wide information discussed earlier, this report also contains 2-page summaries of each district’s performance on various financial and student measures, including operational and nonoperational spending, operational efficiency measures compared to peer averages, student test scores, revenues by source, graphical summaries of each district’s operational trends, and a financial stress assessment.