

Arizona School District Spending Fiscal Year 2019

CONCLUSION: In fiscal year 2019, Arizona districts spent 54.7 percent of available operating dollars on instruction, marking the third consecutive year with an increase in the instructional spending percentage in 15 years. However, since its peak in fiscal year 2004, the State's instructional spending percentage has declined 3.9 percentage points, while the percentages spent on most other operational areas have increased. Between fiscal years 2018 and 2019, districts' operational spending increased by \$475 million with \$310 million of the increase spent on instruction. During this same time period, the State's average teacher salary increased \$3,490, or 7.1 percent, to \$52,441. Although factors outside a district's control—such as district size, type, and location—can affect its efficiency in noninstructional areas, some districts operate efficiently and have lower costs despite these factors, while others do not. Finally, Arizona school districts spent about \$3,100 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 to 54.7 percent but remains lower than highest level spent since monitoring began in 2001

In fiscal year 2019, instructional spending percentage increased 0.7 percentage points, representing the largest single year increase since monitoring began—In fiscal year 2019, Arizona school districts spent 54.7 percent of available operating dollars on instruction. This is a 0.7 percentage point increase over the 54 percent spent on instruction in fiscal year 2018 and is the largest single year increase since we began monitoring instructional spending in fiscal year 2001. In that year, 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 monies spent on instruction declined nearly every year between fiscal years 2004 and 2016, before increasing 3 years in a row.

District operational spending increased \$475 million between fiscal years 2018 and 2019 with \$310 million of the increase spent on instruction—Since fiscal year 2016, Arizona school districts' operational spending increased by approximately \$936 million, or \$1,159 per pupil. Slightly over half of this increase, or \$475 million of it, equaling \$609 per pupil, occurred between fiscal years 2018 and 2019. These increases were predominately the result of additional monies districts received from Proposition 123 and for teacher salary increases through the State budget. Although it cannot be determined how districts spent these additional monies, districts spent approximately \$310 million, or \$389 per pupil, more on instruction in fiscal year 2019 than in fiscal year 2018, which resulted in an increase to the State-wide instructional spending percentage.

Year-to-year increase in instruction and total operational spending, in total and per pupil Fiscal years 2016 through 2019

Operational area	2016 to 2017 increase		2017 to 2018 increase		2018 to 2019 increase		2016 to 2019 increase	
	Total	Per pupil						
Instruction	\$200,897,408	\$232	\$82,400,199	\$103	\$310,599,040	\$389	\$593,896,647	\$724
Total (all areas)	\$341,775,606	\$395	\$118,580,956	\$155	\$475,676,545	\$609	\$936,033,107	\$1,159

With increased spending on instruction, State-wide average teacher salary increased \$3,490, or 7.1 percent, between fiscal years 2018 and 2019 with districts employing 678 additional teachers—

Districts increased the State’s average teacher salary by \$3,490, or 7.1 percent, to \$52,441 between fiscal years 2018 and 2019. Additionally, districts employed a total of 678 additional teachers, which resulted in a slight reduction in the State’s students per teacher ratio. Between fiscal years 2017 and 2019, the State’s average teacher salary increased by \$4,069 or 8.4 percent. These increases were reflective of the additional instructional spending in fiscal years 2018 and 2019, as well as additional monies provided to districts with the intention of increasing the average teacher salary by 10 percent. There are various reasons that may explain why the State-wide average teacher salary has not met the goal of increasing by 10 percent between fiscal years 2017 and 2019, including that districts were not required to spend the additional monies on teacher salaries, and some districts may have received less than they would have needed to provide all their teachers with a 10 percent increase.

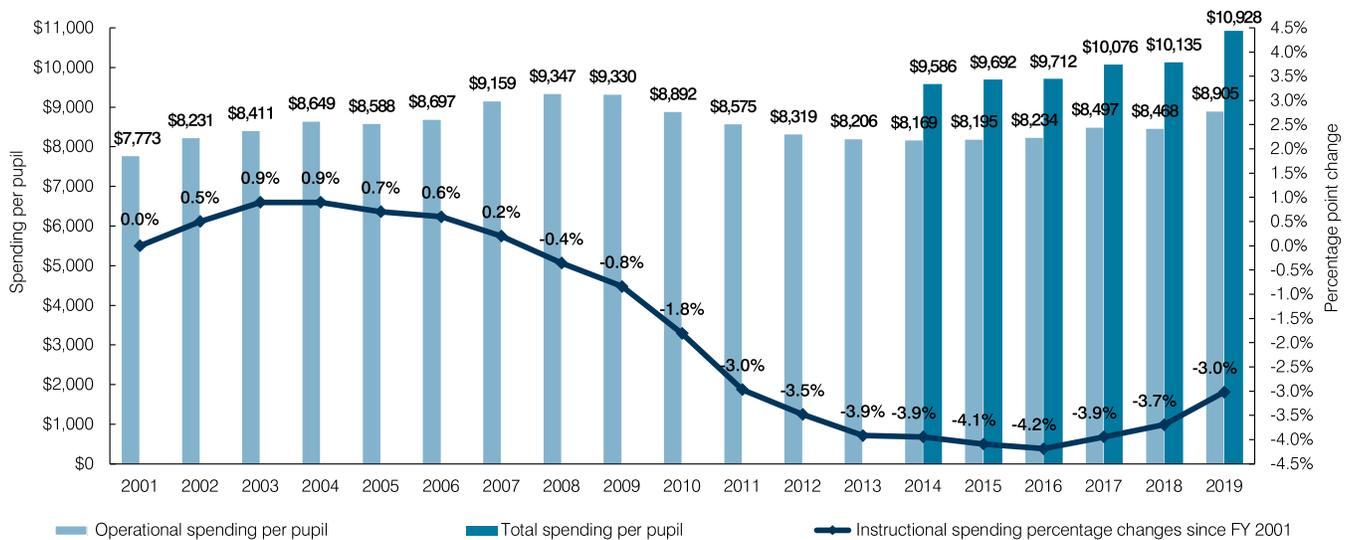
**State-wide average teacher salary increases
By fiscal year**

Fiscal year	Intended salary increase percentage	State-wide average teacher salary	State-wide average teacher salary increase from prior year		State-wide average teacher salary increase from fiscal year 2017	
			In dollars	By percentage	In dollars	By percentage
2017	Base year	\$48,372				
2018	1%	\$48,951	\$579	1.2%	\$579	1.2%
2019	9%	\$52,441	\$3,490	7.1%	\$4,069	8.4%

Percentage of monies spent on instruction remains lower than peak since monitoring began, and spending has shifted to other areas—

Since fiscal year 2001, after controlling for inflation, Arizona school districts’ operational spending per pupil has increased 14.6 percent, from \$7,773 (\$5,374 unadjusted) in fiscal year 2001 to \$8,905 in fiscal year 2019. However, the State’s fiscal year 2019 instructional spending percentage was 3 percentage points lower than in fiscal year 2001 and 3.9 percentage points lower than the fiscal year 2004 peak. The State-level decline in the instructional spending percentage is indicative of fewer dollars being spent on instruction. After controlling for inflation, total per pupil operational spending increased \$256 per pupil, or 3 percent, between fiscal years 2004 and 2019 while spending on instruction decreased \$197 per pupil, or 3.9 percent. At the same time, the percentage of available operating dollars spent on most other operational areas has increased, meaning that districts shifted spending from instruction to other areas.

**Arizona’s operational and total spending per pupil and change in instructional spending percentage since fiscal year 2001 (inflation adjusted to fiscal year 2019 dollars)
Fiscal years 2001 through 2019**



Within Arizona, districts spent at widely differing levels and operated at varying degrees of efficiency

Districts spent at widely differing levels—In fiscal year 2019, 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 2019 operational spending by district ranged from \$6,810 per pupil to \$19,970 per pupil. On average, the 30 highest-spending districts spent \$14,080 per pupil, \$6,309 more than the \$7,771 the 30 lowest-spending districts spent per pupil. The districts with the highest and lowest per pupil spending also differed in certain characteristics, with the highest-spending districts generally being smaller, rural districts with higher poverty rates. 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 2019, after excluding Arizona’s very small districts, nonoperational spending by districts ranged from \$280 per pupil to \$14,958 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, had poorly written vendor contracts, and paid bus drivers for time not spent working.

Districts that operate efficiently allocate more of their resources to instruction—Districts that operate efficiently have more dollars available to spend on instruction, such as to increase teacher salaries, hire additional teachers, or purchase instructional supplies. 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 operational peer group, districts that outperformed their peers tended, on average, to spend higher percentages of available operating dollars on instruction.

Comparison of operational spending per pupil for Arizona’s highest- and lowest-spending districts Fiscal year 2019

	Highest-spending districts’ average	Lowest-spending districts’ average	Difference
Instructional spending percentage	47.0%	55.7%	(8.7)%
Total operational spending	\$14,080	\$7,771	\$6,309
Instruction	6,621	4,325	2,296
Student support	1,046	588	458
Instruction support	657	388	269
Administration	1,933	863	1,070
Plant operations	2,211	845	1,366
Food service	684	405	279
Transportation	928	357	571

Cost-variance examples

- A very large, urban, unified district spent \$654 per pupil for administration; another spent \$895 per pupil.
- A medium-sized, rural, unified district spent \$3.15 per square foot for plant operations; another spent \$11.09 per square foot.

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

Arizona school districts spent less than national averages in nearly all operational areas

In fiscal year 2019, Arizona school districts spent approximately \$3,100 less per pupil than the 2017 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 slightly higher than the national average. Arizona districts spent more in nonoperational areas compared to the national average, spending less per pupil on interest and more on land and buildings, equipment, and other programs, such as adult education and community service programs that are outside the scope of preschool through grade 12 education.

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 2019, Arizona districts spent 54.7 percent of available operating dollars on instruction, 6 percentage points below the national average of 60.7 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 2018 national average (most recent year national data available), Arizona's average teacher salary was \$48,951 that year, while the national average was \$60,477. Another factor that may account for Arizona's lower percentage of instructional spending is class size. In

Comparison of Arizona and U.S. per pupil spending by area Fiscal years 2019 (Arizona) and 2017 (U.S.)

Spending by area	Arizona average 2019	National average 2017	Difference
Instruction	\$ 4,869	\$ 7,445	\$(2,576)
Student support	754	712	42
Instruction support	497	602	(105)
Administration	903	1,383	(480)
Plant operations	1,027	1,137	(110)
Food service	438	477	(39)
Transportation	417	502	(85)
Total operational	8,905	12,258	\$(3,353)
Land and buildings	1,086	995	91
Equipment	496	222	274
Interest	261	363	(102)
Other	180	171	9
Total nonoperational	2,023	1,751	272
Total per pupil spending	\$10,928	\$14,009	\$(3,081)

fiscal year 2018, Arizona's class size was 18.4 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 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. spending by operational area Fiscal years 2019 (Arizona) and 2017 (U.S.)

Operational area	AZ	U.S.
Classroom spending	68.8%	71.4%
Instruction	54.7	60.7
Student support	8.5	5.8
Instruction support	5.6	4.9
Nonclassroom spending	31.2%	28.6%
Administration	10.1	11.3
Plant operations	11.5	9.3
Food service	4.9	3.9
Transportation	4.7	4.1

Individual district information

In addition to the State-wide information discussed earlier, this report also contains a 1-page summary for each district showing performance on various financial and student measures, including operational and nonoperational spending, operational measures compared to peer averages, student test scores, and average teacher salary and other measures.