PERFORMANCE AUDIT

ARIZONA DEPARTMENT OF EDUCATION
SELECTED RESPONSIBILITIES AND PROGRAMS

Report to the Arizona Legislature
By the Auditor General
July 1996
Report #96-8

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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July 2, 1996

Members of the Arizona Legislature

The Honorable Fife Symington, Governor

The Honorable Lisa Graham Keegan
State Superintendent of Public Instruction

Transmitted herewith is a report of the Auditor General, A Performance Audit of Selected Responsibilities and Programs of the Arizona Department of Education (ADE). This report is in response to a May 30, 1995, resolution of the Joint Legislative Audit Committee. This performance audit was conducted pursuant to the provisions of A.R.S. §41-2958. This is the third in a series of four audit reports regarding public education.

This audit focused on ADE's financial management responsibilities and on programs concerned with the quality of student education in Arizona. We found ADE needs to improve its oversight and management of state aid for transportation and basic state aid monies distributed to school districts. ADE needs to review and propose statutory changes in the transportation funding formula to address flaws that reward districts with inefficient operations, and penalize districts with efficient operations. In addition, ADE should ensure audits are performed of the average daily membership counts used to determine the amount of funding districts receive. We also found ADE can increase the usefulness of the school report cards by increasing the amounts and types of information reported. Finally, ADE should review and recommend to the State Board of Education additional uses for the Arizona Student Achievement Program.

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

This report will be released to the public on July 3, 1996.

Sincerely,

Douglas R. Norton
Auditor General

Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit of selected responsibilities and programs of the Arizona Department of Education (ADE). This audit was conducted pursuant to the provisions of A.R.S. §41-2958 and in response to a May 30, 1995, resolution of the Joint Legislative Audit Committee. This is the third in a series of four audit reports regarding public education.

Arizona statutes divide state responsibility for education among the State Board of Education, the Superintendent of Public Instruction, and the Department of Education.[1] Under statute, the State Board establishes educational policies. The Superintendent is responsible for implementing the Board's policies and for managing the Department of Education. The Department provides services and assistance to schools, districts, and county superintendent offices.

This audit focused on the Department of Education's financial management responsibilities and on programs concerned with the quality of student education in Arizona. The Department distributed approximately $2 billion to educational institutions in fiscal year 1995, including state-appropriated monies, federal grants, and other monies. This audit reviewed ADE's financial management responsibilities for ensuring that state aid and state and federal grant monies are distributed accurately, equitably, and timely. In addition, the audit reviewed two programs relating to quality of education: the school report card program and the Arizona Student Achievement Program (ASAP). Arizona, like many other states, is implementing these programs to assess and improve school performance, and to provide parents with critical information they need to assess and select schools for their children.

Financial Management Improvements Needed
(See pages 7 through 14)

The Department of Education needs to improve its oversight and management of state aid for transportation, basic state aid monies, and federal and state grant monies distributed to school districts.

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[1] Two other entities outside the scope of this audit also exercise state-level oversight. The State Board for Vocational and Technological Education exercises general supervision over vocational and technological education. The State Board for Charter Schools grants charter status to qualifying applicants, exercises general supervision over charter schools it sponsors, and recommends legislation pertaining to charter schools.

ADE has not adequately overseen monies used to reimburse school districts for transportation expenses. Many school districts are reimbursed more than actual pupil transportation costs because the State's transportation funding formula is flawed. For school year 1994-1995, the State paid $121 million to districts for transportation, although actual district transportation costs totaled only $102 million. Of the 205 districts that received transportation reimbursement, 145 districts were reimbursed more than actual expenses and 60 had transportation expenses that exceeded state reimbursements. The current formula primarily reimburses districts for total annual route miles; therefore, the more miles a district records as being driven, the more money it receives. In addition, a 1993 statutory revision further flawed the transportation funding formula by allowing some districts to bill the State twice for the same miles for a certain group of students. In one district, this amounted to $3.6 million in fiscal year 1996. This could occur again unless the Legislature addresses this flaw in the funding formula. Moreover, ADE does not verify transportation expense information submitted by school districts. However, since the State Superintendent of Public Instruction is statutorily responsible for determining the accuracy of district transportation information, audits of this information should be performed.

ADE also needs to improve its oversight of basic state aid monies distributed to school districts. To improve the accuracy of basic state aid distributions to school districts, audits of districts' average daily membership (ADM) counts should be performed. The Legislature appropriated more than $1.4 billion in basic state aid in fiscal year 1995, based primarily on ADM counts. The Department stopped performing ADM audits in May 1995, even though this function had identified significant problems with ADM counts. For example, ADM errors resulted in one district receiving $466,622 more in state aid than it should have received. Other states' practices and continued ADM problems in Arizona support the need to audit ADM counts. ADE could reinstate an ADM audit function within the Department or expand the work that certified public accountant (CPA) firms currently perform in school districts.

Finally, ADE needs to improve its grants administration duties. Currently, the Department is working to improve its administration of federal and state grant monies to school districts. The Department's process for administering grants has suffered from poor enforcement of application due dates, lack of staff responsiveness to district inquiries, and failure to process some grants in a timely manner. The Department has proposed the establishment of a grants management office to provide improved grants administration.

Arizona School Report Cards Can Be More Useful
(See pages 15 through 19)

Recent statutory changes required the Department of Education and schools to implement a school report card program. This program is designed to provide increased school accountability and more information to parents and students to help them make educational choices. The Department of Education developed the format for and printed the school report cards, which contain such required information as school academic goals, programs, and a

summary of student assessment scores. In April 1996, ADE sent the first report cards to schools for distribution to parents. Parents and others interested in school performance, however, may have difficulty using school reports cards to compare student achievement levels between school districts, because each district selects its own assessment method and establishes its own passing score. The Department of Education should recommend that the State Board of Education adopt a standardized statewide assessment and passing score for each grade tested to allow comparable test scores to be reported on the school report cards.

Arizona's school report cards could be made more useful by increasing the types and amount of information reported. Other states provide additional achievement information on high school report cards, such as college placement exam scores and the number of graduates employed or in college, to help indicate how effective schools are at preparing students for college or the workforce. Providing additional statistical information and data from more than one year concerning school safety, student mobility, student-teacher ratios, and dropout rates could also better inform parents. Student demographic profiles, which can influence test scores, can also help make comparisons of schools more fair. In addition, reporting financial information, such as the amount of money spent on noninstructional items, can encourage school districts to be more accountable.

Additional Uses for ASAP Should Be Considered (See pages 21 through 25)

The State Board of Education has identified problems with the Arizona Student Achievement Program (ASAP). It has suspended the State assessment portion of the program and has also opted to revise the State's academic standards. These academic standards, known as Essential Skills, are required by the legislation establishing ASAP. The legislation also requires ADE to develop assessments to measure student progress in achieving the Essential Skills. The State Board must begin adopting and implementing these tests during the 1996-97 school year. When completed, assessments will be administered in at least four grades selected by the Board.

As the ASAP is being revised, ADE should recommend additional uses for the program to the State Board of Education to make the program more valuable. Currently, districts use the program to guide curriculum and measure individual pupil progress. Recent legislation requires the Board to adopt reading, writing, and mathematics tests and establish passing scores for graduation, as is done in other states. In addition, some states use their assessment programs to ensure students gain necessary skills; to increase school accountability; and to evaluate educational programs. Specifically, some states mandate remedial instruction for students who are not meeting proficiency standards. Other states use test scores to reward high-performing schools or to sanction schools with below-standard test scores. Finally, several states use their exams to help document curriculum strengths and weaknesses.

In addition to considering uses for ASAP, key decisions need to be made in order to enable the Department of Education and school districts to proceed with test development and

curriculum revisions. First, the Board needs to approve the revised academic standards once they are completed. Second, the Board must determine at least four grades to be tested, as required by law. The Board then needs to determine whether it will develop one or more statewide assessments to monitor progress in each of the selected grades. Finally, the Board needs to decide whether it will establish passing scores on state assessments in addition to the graduation exam.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of selected responsibilities and programs of the Arizona Department of Education (ADE). This audit was conducted pursuant to the provisions of A.R.S. §41-2958 and in response to a May 30, 1995, resolution of the Joint Legislative Audit Committee. This is the third in a series of four audit reports regarding public education.

ADE Executes Board Policies and Provides Services to School Districts

ADE operates under the direction of the Superintendent of Public Instruction to execute the policies set by the State Board of Education.[1] ADE also provides services to 233 school districts, 1,113 schools, and an additional 46 charter schools. In addition to providing services, the Department is responsible for distributing funds to school districts. Basic state aid for kindergarten through 12th-grade education (K-12) makes up the single largest component of the State General Fund appropriations. The Department is responsible for administering and distributing this state aid, as well as other state and federal education monies. In addition, the State Board of Education and the Department are responsible for programs to improve school performance and to keep parents and the public informed. This audit focuses on these responsibilities and addresses the following specific functions:

- **Financial Management** — ADE is responsible for administering and distributing state and federal education monies. The majority of the State General Fund K-12 education monies are allocated to school districts through a complex statutory funding formula, and state and federal grant monies are disbursed to school districts through an application process. This report addresses the need to improve the way school districts are funded for transportation expenses; the need for audits of the student average daily membership (ADM) count component of the funding formula; and the Department's efforts to improve administration of grant monies.

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[1] Two other entities outside the scope of this audit also exercise state-level oversight. The State Board for Vocational and Technological Education exercises general supervision over vocational and technological education. The State Board for Charter Schools grants charter status to qualifying applicants, exercises general supervision over charter schools it sponsors, and recommends legislation pertaining to charter schools.

- **School Report Card Program**—ADE has taken responsibility for developing, producing, and distributing school report cards. School report cards provide parents and the public with information about individual schools, such as school academic goals, programs, and a summary of student achievement scores, in order for them to make informed school choices.[1] The requirement for the school report card program became law in 1994, and ADE printed the first school report cards completed under the program in April 1996 for distribution by schools. This audit addresses how certain data is not comparable between school report cards, and the benefits of report cards providing additional information.

- **Arizona Student Achievement Program (ASAP)**—The State Board of Education is statutorily responsible for developing a student achievement program and must approve any proposed changes or revisions. ADE participates in the implementation of the student achievement program. Currently, state education officials are in the process of revising ASAP components in order to improve the program. This audit addresses additional uses for the ASAP, as well as key decisions that need to be made to enable ADE and school districts to implement ASAP revisions.

Significant Organizational and Staffing Changes Occurred at ADE

A new Superintendent of Public Instruction assumed office in January 1995. Since that time, ADE has undergone four major structural reorganizations. Additionally, the Department reports that, as of April 1996, it is operating with 355 of the 448 FTEs authorized for fiscal year 1996. The Superintendent's new organizational structure has four goals. These goals are focusing on the Department's academic mission and the effect of ADE's efforts on student learning; reorganizing divisions to better reflect their missions and responsibilities; providing organizational stability; and using the strengths of ADE's professional staff.
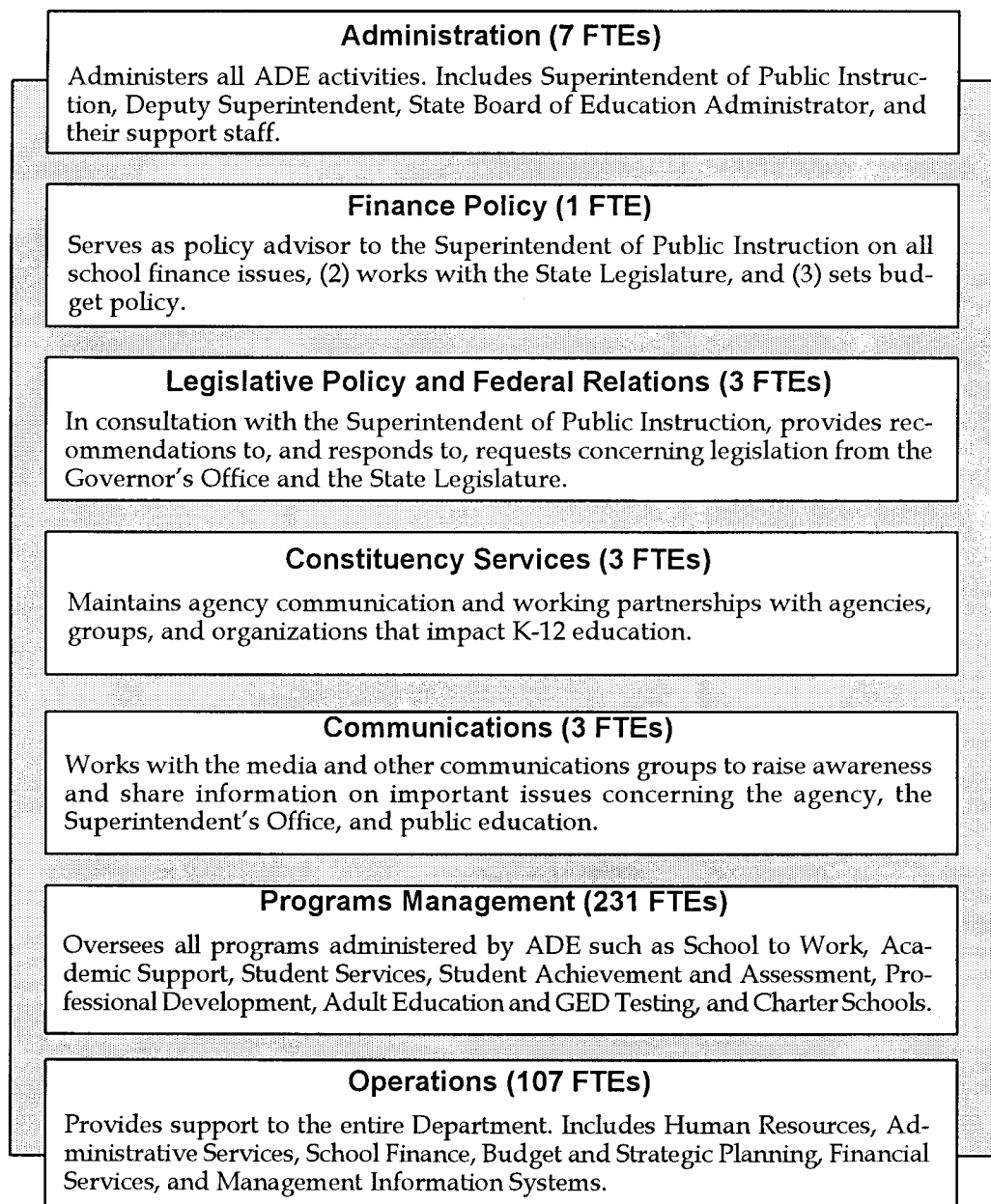
The Department is organized into seven sections, as shown in Figure 1 on page 3.

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[1] School report cards are different from pupil report cards. Pupil report cards provide parents with information about an individual student's progress. School report cards provide parents and the public with information about a school's programs and progress.

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Figure 1

Organization of the
Arizona Department of Education
April 1996

Administration (7 FTEs)

Administers all ADE activities. Includes Superintendent of Public Instruction, Deputy Superintendent, State Board of Education Administrator, and their support staff.

Finance Policy (1 FTE)

Serves as policy advisor to the Superintendent of Public Instruction on all school finance issues, (2) works with the State Legislature, and (3) sets budget policy.

Legislative Policy and Federal Relations (3 FTEs)

In consultation with the Superintendent of Public Instruction, provides recommendations to, and responds to, requests concerning legislation from the Governor's Office and the State Legislature.

Constituency Services (3 FTEs)

Maintains agency communication and working partnerships with agencies, groups, and organizations that impact K-12 education.

Communications (3 FTEs)

Works with the media and other communications groups to raise awareness and share information on important issues concerning the agency, the Superintendent's Office, and public education.

Programs Management (231 FTEs)

Oversees all programs administered by ADE such as School to Work, Academic Support, Student Services, Student Achievement and Assessment, Professional Development, Adult Education and GED Testing, and Charter Schools.

Operations (107 FTEs)

Provides support to the entire Department. Includes Human Resources, Administrative Services, School Finance, Budget and Strategic Planning, Financial Services, and Management Information Systems.
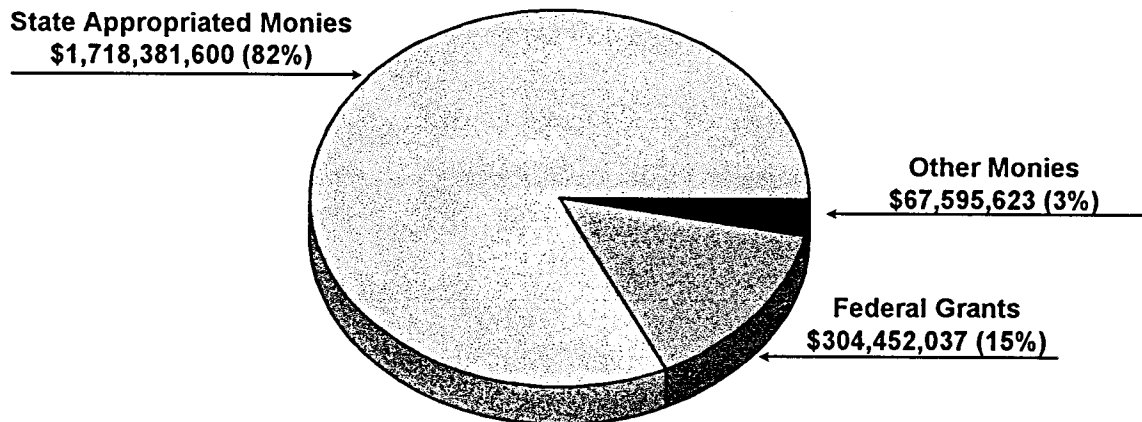
Source: Auditor General staff presentation of data provided by ADE's Human Resources unit. Data represents ADE FTEs as of April 1996.

ADE Administers and Distributes
Federal and State Education
Monies to School Districts

ADE is responsible for administering and distributing state and federal education monies to school districts. The Department received approximately $2.1 billion in fiscal year 1995. Of that total, the Department distributed approximately $2 billion to educational institutions and spent approximately $23 million carrying out its duties.[1] See Figure 2, below, for the sources and their contributions to the total monies the Department received in fiscal year 1995.

Figure 2

**Monies Received by the
Department of Education
Fiscal Year 1995
(unaudited)**

**State Appropriated Monies
$1,718,381,600 (82%)**

**Other Monies
$67,595,623 (3%)**

**Federal Grants
$304,452,037 (15%)**

Source: Auditor General staff analysis of data obtained from Uniform Statewide Accounting System reports for fiscal year 1995.

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[1]   Of the remaining balance, approximately $23.7 million was reverted to the State General Fund.

Scope and Methodology

This audit focused on the Department of Education's responsibilities, including administering and distributing educational monies and ensuring the overall quality of education. Specific functions addressed include financial management, the school report card program, and the Arizona Student Achievement Program.

This audit used a variety of methods to study the functions addressed in this report. Pertinent information analyzed includes relevant statutes; current reports and studies prepared by the Arizona Department of Education; information provided by other states; governmental studies; the former ADE Audit Unit's ADM audit reports; and private CPA firms' audit reports of school districts.

Key people interviewed include members of the State Board of Education; the Superintendent of Public Instruction; Arizona Department of Education staff; Arizona school district officials and principals; education interest group representatives; nationally recognized experts in the field of education; education officials in other states; and private CPA firms currently auditing Arizona school districts.

This report presents findings and recommendations in three areas:

1. The need for improvements in the way school districts are funded for transportation expenses; audits of the ADM count component of the funding formula to ensure proper distribution of state funds to school districts; and continued efforts to improve grants administration.

2. The need to increase school report cards' contents to improve their usefulness.

3. The need to consider additional uses for the ASAP and make key decisions to continue ASAP implementation.

Additionally, other pertinent information presented in this report addresses the roles and structures of state-governing entities in education and funding of schools on a real-time basis (i.e; providing monies either monthly or quarterly per student, at the school the student is currently attending.)

This audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the President and members of the State Board of Education, the Superintendent of Public Instruction, Arizona Department of Education staff, and state educators for their cooperation and assistance throughout the audit.

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FINDING I

FINANCIAL MANAGEMENT
IMPROVEMENTS NEEDED

The Arizona Department of Education (ADE) needs to improve its oversight and management of monies distributed to school districts. Specifically, problems with the State's transportation funding formula allowed school districts, in fiscal year 1996, to be reimbursed approximately $19 million more than their actual pupil transportation expenses. In addition, ADE has not sufficiently monitored school districts' average daily membership (ADM) counts, the primary factor used to determine state funding for districts. Moreover, ADE needs to continue addressing problems with the administration of grant monies to school districts.

ADE administers and distributes state and federal funding for preschool through 12th-grade education in Arizona. ADE distributed approximately $2 billion to educational institutions in fiscal year 1995. In addition to distributing education monies, ADE is responsible for helping ensure that those funds are expended appropriately. Statutes require ADE to monitor and assist districts with financial record compliance.

School Districts Reimbursed
More than Actual
Transportation Expenses

ADE needs to rectify the problem of school districts being reimbursed significantly more than their actual pupil transportation expenses. Statewide, in fiscal year 1996, school districts were reimbursed approximately $19 million more than actual transportation expenses. One reason this overreimbursement occurs is that the State's transportation funding formula is flawed, and can inappropriately reward inefficient school district transportation operations. Another reason is that ADE does not adequately verify transportation expense information submitted by school districts.

ADE is responsible for reimbursing school districts for pupil transportation expenses. Statutes provide a formula that outlines the type of expenses to be reimbursed and also the rate of reimbursement. For example, school districts are reimbursed expenses for both district-run and private contractor-provided pupil transportation. The rate of reimbursement is either $1.59 per mile or $1.95 per mile, depending upon the daily average route miles per student.[1] Beginning

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[1] The State's transportation formula reimburses districts for transportation expenses by multiplying the annual bus route miles driven by either $1.59 per mile or $1.95 per mile. If the daily average route miles per student is between one-half and one mile, districts are reimbursed $1.59 per mile. If the daily average route miles per student is less than one-half mile or more than one mile, districts are reimbursed $1.95 per mile.

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in school year 1994-1995, actual school district expenses for public transportation are also reimbursed. In some metropolitan areas, needy students may ride city buses, using passes and tokens paid for by the district.

State reimbursement exceeded actual transportation expenses — In fiscal year 1996, school districts statewide were paid approximately $19 million more than actual transportation expenses. Two hundred five qualifying school districts were paid $121 million, whereas actual expenses for those districts totaled only $102 million. One hundred forty-five of the 205 districts received payments greater than actual expenses, totaling $19 million. One district, for example, was provided nearly $4.5 million more than actual expenses; another district received $1.9 million more than actual expenses.

Transportation funding formula should be revised — One reason many school districts are reimbursed more than actual transportation expenses is the State's flawed transportation funding formula. Arizona's current transportation formula can reward inefficient operations in some school districts, and can penalize efficient districts. In fiscal year 1996, of the 205 districts reimbursed for transportation expenses, 145 were paid more than actual expenses and 60 were reimbursed less than expenses. Other states' practices can provide ADE guidance in determining what changes need to be made.

The State's transportation reimbursement formula is flawed for four reasons:

- First, the formula can encourage inefficiency because it reimburses districts for total annual route miles driven. Therefore, the more miles a district records as being driven, the more money it receives. As a result, districts have no incentive to identify and use the most efficient traffic routes.

- Second, the formula reimburses districts for all daily route mileage, even those route miles driven without students aboard. An efficiently designed bus routing system attempts to minimize these miles because it is an extra expense that is not accomplishing the primary transportation mission of getting students to and from school.

- Third, there are problems with the mileage reimbursement rate. The mileage reimbursement rate is either $1.59 per mile or $1.95 per mile, depending on the average daily route miles per student. School districts that minimize the number of miles driven without students on board may be penalized by receiving the lower reimbursement rate.

- Fourth, as discussed on page 9, districts can be reimbursed twice for students transported using public buses. Currently, districts can be reimbursed for bus fares and reimbursed for the miles students ride on a public transit system.

This audit identified general guidelines and specific factors that should be used in developing an equitable transportation funding formula. In determining a new formula, ADE should

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decide what transportation activities will be encouraged, and then recommend the Legislature fund these activities at a level that will keep education programs from being negatively affected. Some guidelines used in other states and recommended by our transportation consultant include:[1]

- Not funding bus miles driven without students aboard. Without state support for these nonproductive miles, districts will be motivated to minimize such mileage.

- Reconfiguring the mileage reimbursement component to prevent efficient districts from being penalized and inefficient districts from being rewarded. Another state's formula awards an annual fixed amount of reimbursement per student that varies depending upon how far the student lives from school.

Some specific factors that should be considered in a new formula include costs for crossing guards, and costs associated with transporting students in disabled, desegregation, and gifted programs. Additionally, other factors not controlled by the district should be considered including the number of students, district size, student population density, and comparable costs in comparable districts.

Double payment for public transportation expenses should be eliminated — The Legislature should consider revising the transportation funding formula to prevent school districts from being paid twice for the costs of transporting students using public buses. A 1993 statutory revision to the transportation formula appears to have created a mechanism that allows districts to be reimbursed twice for transporting these students. As a result, in fiscal year 1996, one district received approximately $3.6 million more than it cost to transport students using public buses.

Before the 1993 legislation, school districts were paid for students who used public transportation by including miles students traveled on city buses in the districts' total annual mileage. However, the current funding formula allows districts to receive payments based on the highest annual total mileage of the previous three fiscal years, and does not specifically prohibit districts from receiving payments for both the actual costs of public transportation and the public transportation miles included in the total annual mileage. This creates a double payment in some cases, and the same double payments will again be made in 1997, unless the statute is changed. Therefore, the Legislature should consider revising the transportation funding formula as soon as possible.

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[1]   The Office of the Auditor General retained a consultant to evaluate transportation operations in three school districts. The consultant also reviewed the State's school transportation reimbursement formula and ADE's role in verifying school district transportation expenses.

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ADE not verifying transportation expenses—In addition to problems with the State's transportation funding formula, ADE does not verify district-reported transportation expenses. Because statutes outline specific transportation oversight responsibilities for the State's Superintendent of Public Instruction, ADE should audit school district transportation expenses to ensure that expenses are valid.

A.R.S. §15-921 requires the Superintendent of Public Instruction to 1) supervise the provision of pupil transportation services; 2) evaluate transportation programs and routes for the purposes of determining accurate transportation support levels for each fiscal year; 3) determine the daily route mileage for each district to determine support levels; and 4) assemble the information provided by each school district and determine its accuracy.

The Department is not adequately meeting its statutory obligation of determining the accuracy of transportation information submitted by districts. For district-operated transportation, ADE requires districts to report annual mileage from bus odometer readings. ADE, however, does not verify the accuracy of that mileage. For districts that contract for transportation services or use public transportation, ADE does not perform any review or verification of mileage or other information districts report.[1]

Because statutes specifically require the Superintendent to determine the accuracy of school district transportation information, audits of that information should be performed. Other states audit their districts' transportation information. For example, Kansas' Department of Education expects to recover at least $395,000 in fiscal year 1996 from audits of 204 of its 304 school districts' transportation information. Also, beginning with fiscal year 1996, New Mexico's Department of Education is performing audits of district transportation information. ADE could perform transportation audits with its own staff or contract with certified public accountant (CPA) firms to conduct the audit work. The Department should determine which of these two options would be most appropriate for verifying district-reported transportation information.

More Review Needed of ADM Counts

Although state aid to school districts is the largest component of the State's General Fund appropriations, ADE performs little or no review of critical school district information that determines the amount of funding a district receives. ADE discontinued average daily membership (ADM) audits in 1995, even though student count accuracy problems exist in Arizona and other states.[2] ADE needs to reinstate an ADM audit function.

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[1] Private contracting of pupil transportation accounted for at least $9 million of transportation costs the State reimbursed in fiscal year 1996. Districts were also reimbursed over $1.1 million for public transportation.

[2] ADM is the average enrollment of part-time and full-time students for the first 100 days in session.

ADM counts are key factors in determining the amount of state monies school districts receive. A district's ADM count is the primary factor for determining its funding based on a complex statutory formula. Variations in ADM accuracy can have a significant impact on the State's overall budget and on state aid distributions to school districts. The Legislature, in fiscal year 1995, appropriated more than $1.4 billion for basic state aid, based primarily on ADM counts.

ADM problems identified—Despite problems with ADM counts, ADE discontinued its ADM audit function in 1995. Prior to that time, one responsibility of the ADE internal audit unit was to determine whether selected school districts' ADM counts were accurate. To do this, ADE auditors reviewed the amount of teaching time provided to students, the mathematical accuracy of ADM reports, district classification of student absences and withdrawals, student residency classifications, and vocational student count accuracy, among other things. Some of these audits found significant ADM problems. For example, a 1991 ADM audit report identified a district that received a state aid overpayment of $466,622 due to ADM and other errors. Similarly, another 1991 report found that a school district potentially received a state aid overpayment of $165,100. The Department's ADM audits also identified a district that was underpaid $23,301 in state aid due to ADM errors. Of the 44 ADM audits reviewed, all but 3 identified problems, of which 8 indicated state aid overpayments totaling $937,749.[1]

Although audits of school districts performed by private CPA firms are not intended to ensure ADM accuracy, some of their audits indicate that ADM problems continue. CPA firms audit school districts' financial statements and assess compliance with the *Uniform System of Financial Records* (USFR).[2] Three of five CPA firms interviewed stated that their audits found ADM problems even though they perform limited test work on ADM. One certified public accountant estimated that 50 to 75 percent of districts have ADM problems.

ADM audits needed—The Arizona Department of Education needs to expand its financial oversight by reinstating ADM audits. Education officials and other states' practices support the importance of ADM audits. Eight of 12 western states surveyed conduct audits of student count data.

Other states have recovered state monies as a result of student count audits. For example, Colorado recovered $1.7 million in fiscal year 1995 through similar audits. In addition, a Texas official estimated that Texas has recovered as much as $3 million annually from student count audits. Kansas expects to recover approximately $3.7 million in fiscal year 1996 from student count audits of 204 of its 304 school districts. Additionally, numerous Arizona state and education officials, legislative staff, and accounting professionals support ADM audits.

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[1] ADE conducted these 44 ADM audits between 1982 and 1994.

[2] CPA firms perform the financial audits for those districts receiving $100,000 or more in federal monies. The Office of the Auditor General's Accounting Services Division then reviews the CPA firms' audit results. Additionally, the Office of the Auditor General's Financial Audit Division reviews internal and other controls of districts receiving less than $100,000 in federal monies.

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The Department of Education should ensure the accuracy of ADM counts by using either of two mechanisms:

- **Audit Function within ADE**—ADE could reinstate an internal ADM audit function. Five of the eight states surveyed that audit student counts have auditors within their Departments of Education perform these reviews. ADE reports that it could reinstate an internal ADM audit function at an annual cost of $175,000. This would cover operating expenses and five FTE positions.

- **Expanded CPA audit work**—ADE could require that the accuracy of ADM counts be addressed as part of the districts' financial audits. By working with the Office of the Auditor General, ADE could ensure that the CPA firms auditing the districts comprehensively review ADM counts. Additional audit work on ADM counts in the USFR compliance questionnaire used by the CPA firms could be required by ADE and the Office of the Auditor General. Two of the eight states surveyed that audit student counts have these reviews performed by CPA firms as part of annual financial audits.[1] Department of Education officials from both states feel that the student count audit work done by the CPA firms is sufficient to ensure accuracy.

ADE Working to Address Problems Found with Grants Administration

Another component of ADE's financial management duties is the administration of state and federal grants to school districts. Both ADE and our review identified several problems with grants administration. ADE has stated it will institute a grants management office to address these problems.

ADE grant duties and responsibilities—A.R.S. §§15-204, 15-206, and 15-207 authorize ADE to receive and disburse state and federal educational grant monies. School districts use these monies to deliver various services to Arizona's children. During fiscal year 1995, ADE administered grants totaling approximately $344 million.

The Department of Education is responsible for notifying districts that grant monies are available. During this audit, from September of 1995 through April of 1996, districts applied to specific ADE units given administrative charge over program areas for grant monies. These program units, upon receipt of the application, review the request to ensure that it is complete and that guidelines are being met. If the award is approved, the program unit creates a payment schedule and the ADE accounting unit begins disbursements to the district.

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[1] In the eighth state surveyed that audits student counts, the state auditor's office performs these audits, in conjunction with the annual financial statement audits of the school districts.

Grant processing problems identified — ADE recognizes that it has problems with the administration of grant monies. ADE's Grants Review Team recently identified the following deficiencies:

- Application due dates have been poorly enforced;

- Grant forms are complex and lack uniformity;

- ADE staff have not responded to district inquiries in a timely manner;

- Grant processing suffers from a lack of automation; and

- Some program units have failed to process applications in a timely manner.

Further review of ADE's grant process and interviews with six school district officials supported the Department's findings.

ADE's efforts to address problems — ADE has organized a Grants Task Force that meets weekly to implement the Grants Review Team's recommendations. The Department has also proposed the establishment of a grants management office, which ADE officials hope will provide improved grants administration. The office is scheduled to begin operations in July 1996.

A March 1996 status report on the grants management office indicates that the office's goals and objectives address several of the deficiencies identified by the Grants Review Team and in our review. However, three areas of concern were not addressed by the status report. A follow-up discussion with an ADE official helped to clarify ADE's position regarding these areas:

- In order to provide faster award approvals, ADE plans to institute a "substantially approved" form that will provide written interim confirmation of an award while the Department finishes final application processing. Further, ADE's Director of State and Federal Programs stated that the new grants management office will have a goal of processing grant applications within 30 days of receipt.

- ADE management stated that many delays in disbursing grant monies to districts result from the Department not receiving grant monies from the U.S. Department of Education in a timely manner. According to ADE's Director of State and Federal Programs, while ADE cannot disburse monies that it has not received, recent legislation allows districts to draw upon other monies until grant monies are received.

- Finally, ADE's Director of State and Federal Programs acknowledged that the Department currently lacks expertise in the administration of grants. However, he said that the new

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grants management office will fill this need and thus provide districts with better service and access to reliable information. He also stated that ADE plans to provide additional training for grants personnel.

RECOMMENDATIONS

1. The Arizona Department of Education should recommend statutory changes to the State's transportation funding formula to ensure that state funding is distributed equitably and to encourage efficiency.

2. The Arizona Department of Education should audit school district transportation expenses to determine accuracy as required by A.R.S. §15-921.

3. The Arizona Department of Education should increase its oversight and monitoring of school district ADM counts. Specifically, ADE should reinstate an ADM audit function. The Department could implement this recommendation by one of two mechanisms:

   a. Forming an internal ADM audit group

   b. Expanding CPA firms' audit work on ADM counts by working with the Office of the Auditor General to require CPA firms to more comprehensively review ADM counts as part of school district financial audits.

4. The Arizona Department of Education should continue to address problems found with its administration of grants to school districts.

FINDING II

ARIZONA SCHOOL REPORT CARDS
CAN BE MORE USEFUL

Arizona should modify its school report cards to better inform the public about school performance and to make the report cards more useful to parents. The State implemented a school report card program to increase school accountability and to assist parents and students in choosing schools. Certain data on the report cards, however, are difficult to compare among schools. ADE could further improve the program by adding information in several categories to better profile and explain school performance.

Arizona Is Implementing
School Report Cards

Report card programs keep parents and the public informed about schools. Arizona's school report card program is similar to efforts in other states designed to build public interest and encourage school improvements. The requirement for the school report card program became law in 1994, and the Arizona Department of Education (ADE) has recently printed the first report cards completed under the program for distribution by schools to parents of enrolled pupils.

Other states and national organizations indicate report cards can be a powerful tool for improving school performance and accountability. Report cards are used to focus public attention and to hold schools accountable for student progress. In addition, the report cards are designed to help parents select public schools and to pressure schools that are performing poorly to improve. ADE has taken the responsibility for developing the format for and printing the school report cards. A.R.S. §15-746 requires the report cards to contain at least 13 pieces of information about schools, including goals, responsibilities, special programs, and test scores. Statutes also require ADE to modify the report cards as needed each year. A sample school report card is included in the Appendix (see pages a-i through a-iv). The report cards are also accessible through the Internet so that parents can compare information from a number of schools and choose a school that best meets their child's needs.

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Schools' Student Achievement Scores Are Not Easily Comparable

Variations in how school districts assess students under the Arizona Student Achievement Program (ASAP) make it difficult for parents to use the school report cards to compare schools' performance. School report cards include averaged student test scores on district-level assessments; however, this assessment information is not easily comparable among schools. The State Board of Education could make the testing data more useful to parents by adopting a consistent statewide exam and passing score for each grade tested.

*Assessment program differences can confuse report card readers—*Assessment scores summarized on the school report cards do not allow parents to easily compare how well schools are educating students. School report cards include test scores from district assessments that measure student progress toward the state Essential Skills. Districts, however, determine how students will be assessed. For example, one district may develop its own exams to assess student progress. Another district may assess students using a combination of state-developed tests and portfolios of student work. Report card readers cannot easily compare student scores because they do not know whether the assessments used by schools in different districts are the same.

In addition, districts are allowed to establish the scores students must achieve to demonstrate proficiency on the assessments. This practice further limits report card comparability. For example, this audit compared two school report cards. School A required students to answer 50 percent of test questions correctly to demonstrate mastery, while School B required 80 percent correct responses to demonstrate mastery. School A's report card indicates 95 percent of its students are mastering most skills, and School B's report card indicates 75 percent of its students are mastering most skills. A parent comparing the two schools' report cards could logically conclude that School A is better educating students. However, since scores the students must attain to demonstrate mastery are much lower for School A, parents cannot easily determine which school is more successful.

*Statewide exams could make report cards more comparable—*The Department of Education could improve the usefulness of reported assessment information by recommending the State Board adopt a standardized statewide exam and passing score for each grade tested. As discussed in Finding III (see pages 21 through 25), the Board is currently revising the ASAP program, and is in the process of determining how students should be assessed on a statewide basis. A standardized assessment with a standard mastery level for each grade would enable parents to compare how well students are progressing at various schools.

Additional Information
Could Improve Usefulness

The Department of Education could further improve the school report cards by increasing the amount and types of information provided. States with similar programs provide more and different information to assist parents in comparing schools, to help track school progress over time, and to increase school accountability.

High school report cards can provide specialized information—Other states expand the amount of achievement information presented on high school report cards. For example, scores on college placement (SAT or ACT) exams and advanced placement (AP) tests can help demonstrate how well schools prepare students for college. Some states also report the number of students taking a rigorous core of classes. Utah, for example, reports the number of students whose course work consists mainly of math, sciences, social studies, and English. In addition, a few states require schools to report the number of graduates employed or attending college. This measure helps indicate how effective the school is at preparing students to continue their educations or enter the work force.

More statistical information could better inform parents—Report cards could better describe school environments by including additional information. For example, ADE should consider expanding the school safety data reported. It should also consider adding information such as student mobility rates, student-teacher ratios, and dropout rates. Moreover, ADE should consider reporting trends in student assessment scores and other measures when the data becomes available.

- **School safety**—Other states, including Utah, Florida, and California, recommend and use a number of school safety measures that Arizona may want to consider adding to its school report cards. Currently, Arizona schools report the number of incidents that involved law enforcement intervention, but only if charges were filed. ADE may want to consider requiring schools to report all on-campus incidents that impact school safety, as noted in the report issued by the Office of the Auditor General on selected Arizona school districts (Performance Audit Report, 96-9). Other measures to consider include the number of students suspended, expelled, or removed to supervised alternative education programs, and costs of theft and vandalism. California also requires schools to assess safety on campus. The assessment can include a description of the policies and procedures schools have developed to ensure student safety.

- **Student mobility**—Florida and New Jersey use a mobility rate to measure disruption in teaching and learning. The measure identifies the percentage of students entering and exiting the school during a single school year. Experts indicate the measure is relatively new, but can help explain differences in test scores among schools.

- **Student-teacher ratios**—This ratio is reported in other states as a measure of educational quality. A single ratio, however, can sometimes mask the true number of overcrowded

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classrooms, particularly in high schools. To remedy this problem, experts suggest reporting student-teacher ratios by course type, or reporting the number of hours students spend in overcrowded classrooms. If ADE decides to use this measure, the State or school districts would need to determine the acceptable number of students per classroom.

- **Dropout rates**—High school dropouts have limited employment opportunities; consequently, education departments in other states have increased efforts to report and reduce dropout rates. School report cards in other states indicate the percentage of students in grades 9-12 who dropped out during the school year. In addition to reporting dropout rates, California recommends that schools describe the programs they use to promote attendance and reduce the number of dropouts. If the Department chooses to include this information on the report cards, it should first address the problems concerning dropout statistics noted in the report issued by the Office of the Auditor General on ADE dropout prevention efforts (Performance Audit Report, 96-6) to ensure the accuracy of reported data.

Several states include two to five years of data to help identify trends in school performance. Reports often include district, state, and national averages to make comparison more meaningful. The Department should consider adding performance trends and other comparison data to its school report cards when the information becomes available.

Demographic profiles can make comparisons more fair—Educational experts generally agree that demographic variables influence student test scores. To help adjust for these factors, other states include such information on their school report cards as the ethnic distribution of students; the percent of students receiving free or reduced lunches; and the number of students with limited English proficiency. These factors vary widely among Arizona schools, and this information could be used to evaluate school effectiveness. In other states, this demographic information is sometimes used to group schools with similar characteristics for comparison purposes. Another method for evaluating school progress involves predicting a school's performance based on demographic factors and comparing predicted performance to actual results.

District financial information can increase accountability—A few states also report a large amount of financial information on their school report cards. These report cards list items such as per-pupil expenditures and teacher and administrator salaries. Some states also provide a listing of expenditures in categories such as instruction, administration, transportation, and construction. The information can be used to identify districts that spend larger-than-average portions of their budgets on administration or noninstructional items.

RECOMMENDATIONS

1. The Arizona Department of Education should recommend that the State Board of Education adopt a consistent statewide examination and passing score for each grade tested to make comparison of schools' performance more meaningful.

2. The Arizona Department of Education should consider modifying school report cards to include additional information regarding school performance, student demographics, and district financial data.

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FINDING III

ADDITIONAL USES FOR ASAP
SHOULD BE CONSIDERED

The Arizona Student Achievement Program (ASAP) could be expanded to further benefit students, schools, and the State. The State Board of Education is currently modifying components of the State's student assessment program. During this revisions process, the Arizona Department of Education (ADE) should recommend to the Board additional uses for assessment results. Other key program issues also need to be resolved to enable the ADE and school districts to implement the revisions and to ensure a quality assessment program.

Background

ASAP, created in 1990, is an effort to improve education by setting high academic standards and requiring students to demonstrate competency. Basic ASAP components include:

- A nationally standardized exam such as the Iowa Test of Basic Skills that allows comparison of Arizona students' exam scores in such topics as reading, language, and math to students in other states taking the same exam;

- The Essential Skills, or academic standards, which outline nine categories of knowledge and skill the State Board of Education expects students to gain in school. The categories include language arts, literature, mathematics, science, social studies, music, visual arts, health/physical education, and foreign or Native American language;

- District assessments of student progress toward the Essential Skills. Districts develop their own assessments using state-developed tests, district-developed exams, portfolios of student work, or a combination of tools;

- A state assessment to monitor student progress statewide. The State Board of Education adopted a series of state tests known collectively as Form D. These tests were developed to measure the same skills as district assessments and to verify district reports of student progress.

ASAP Is Being Revised

The State spent approximately $3 million developing the elements of the original ASAP. However, a 1994 study performed by the company that developed Form D indicated that the

assessment did not adequately measure the same skills as the district tests; consequently, the State Board of Education suspended the state tests in January 1995. Shortly after suspending Form D, the State Board also opted to revise the Essential Skills to make them more understandable, to put them in a consistent format, and to add new workplace skills. As of May 15, 1996, the State Board was still debating the changes, which will ultimately form the basis of new state and district assessments, and school curriculum revisions.

Statutes require the State Board to begin adopting and implementing new Essential Skills assessments during the 1996-97 school year. In May 1996, the Board hosted a public hearing to discuss the revised language arts and mathematics standards. The Board anticipated approving these standards in June and expects to have language arts and math assessments in place by 1997. Until then, the State lacks a consistent means of monitoring and tracking student progress toward the Essential Skills.

Additional ASAP Uses
Could Prove Beneficial

As the ASAP is being revised, ADE should recommend to the State Board of Education some additional uses to make the program more valuable. Currently, districts use the ASAP to guide curriculum and to measure individual pupil progress. In addition, 1996 legislation requires the Board to adopt tests and passing scores for students to graduate from high school. Other states use their assessment programs as a graduation requirement for students and for a number of other purposes.

Arizona graduates will need to demonstrate competency—Statute requires the Arizona State Board of Education to adopt tests to determine whether students meet competency standards for graduation. At least 16 other states also use assessment scores to help determine whether students meet graduation requirements. To avoid possible litigation, these states incorporate a number of factors into the design of their graduation assessment programs. The State Board should consider these factors in developing Arizona's graduation assessment. For example, other states ensure the tests are valid, reliable, and unbiased. Students also receive multiple opportunities to pass the graduation exams. Students who do not pass the exams typically receive additional instruction to correct deficiencies. Some states also offer alternative graduation assessments to students not passing the initial test. Alternatives include different test forms and a hands-on learning center where students can demonstrate skills. One state issues certificates of attendance to students not mastering the skills necessary to earn a diploma.

Assessment uses could be expanded further—ADE should recommend to the State Board of Education additional uses for the assessments to make the program more valuable. Other states use their assessment programs to assist students in gaining necessary skills, to increase school accountability, and to evaluate educational programs. These uses can influence the types of tests needed and how the tests are implemented. Some of these additional uses include:

- **Remediation**—Several states specifically mandate remedial instruction for any student not meeting proficiency standards on state tests. These states provide districts with additional resources for mandated assistance, which can include extended school days, and specialized instruction. Other states indicate their assessments help teachers identify students needing additional help, but intervention is not mandated.

- **School rewards and sanctions**—Other states also use test scores to reward high-performing schools or to sanction schools with below-standard test scores. Kentucky and Texas use test scores to provide rewards or incentive monies to schools. These states' reward programs also consider factors such as dropout rates, attendance rates, and whether a school's graduates are successful; i.e. working or attending college. While most states we contacted do not offer financial incentives, some publicize successful schools' programs.

  Some states have also developed a set of intervention steps to take in schools with below-standard test scores. Intervention programs often start with offering districts expert assistance and financial resources. If scores fail to improve, states can become increasingly involved to the point of replacing school management. Iowa and New Jersey, for instance, have used their intervention programs to take over the management of school districts that have continued to perform poorly. At least five other states have similar intervention provisions. These provisions enable states to make high-level personnel changes, to withhold state funding, and to take other action at the school and district level.

- **Curriculum evaluation**—Several states, including New York, Ohio, Oregon, and Utah, indicate state exams are used to help document strengths and weaknesses of curriculum. For example, New York's assessment program includes specialized tests to help evaluate the effectiveness of academic programs in science and social studies.

Key ASAP Decisions Needed

In addition to considering additional uses for ASAP, other decisions must be made to enable ADE and school districts to implement ASAP revisions. The Board is statutorily responsible for implementing a student achievement program and must approve any proposed changes or revisions.[1] Board members, however, are still debating issues regarding standards and assessments. Once the Board makes decisions regarding ASAP, ADE and districts can move forward with developing a state assessment and revising school curriculums.

Important issues remain undecided—The State Board of Education is still considering several ASAP issues involving the academic standards and state assessment. The Board must complete and approve the Essential Skills revisions before a test can be developed, piloted, and submitted

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[1] A.R.S. §§15-203 and 15-741 require the State Board of Education to adopt and implement academic standards and achievement tests, and set competency requirements for promotion and graduation.

for public approval. While the Superintendent of Public Instruction has outlined her plans for the program, the Board has not indicated its approval. Board members still need to make decisions regarding the following issues:

- **Academic standards**—Standards outline minimal student competencies and form the basis of assessment programs. Once the standards are completed and approved by the State Board of Education, a new state assessment instrument can be developed. The Board indicates it will first concentrate on approving standards in core areas, such as language arts and math, so that a basic assessment can be developed. Approval for other standards, such as the arts and foreign languages, is expected to take longer.

- **Grades tested**—Until recently, the State was required to assess student progress in grades 3, 8, and 12. However, Laws 1996, Chapter 284 requires the State Board to choose at least four grades in which the state assessment is administered. These grades must be determined before an assessment can be developed.

- **Statewide assessment**—The State Board of Education needs to determine whether it will develop one or more statewide assessments to monitor progress in each selected grade. Under the current program, districts determine the methods used to assess students. The choice enables districts to customize their assessment programs. However, the State's lack of a standardized assessment limits its ability to obtain a consistent and clear picture of student progress statewide.

- **Passing scores**—Statute requires the State Board of Education to adopt competency tests for graduation, and to establish passing scores for these tests. The Board also needs to determine if it will establish a passing score for the state assessment(s) administered in other grades. Establishing a statewide exam and passing score would enable the State Board and ADE to better monitor student achievement and to report comparable achievement information on school report cards, as noted in Finding II (see pages 15 to 19).

ADE and district actions hinge on Board decisions—ADE and school districts must perform several activities to implement the revised ASAP, but cannot move the program forward until the State Board of Education approves the academic standards. Once the Board has approved the standards and determined the type of assessment to be developed, the Department can identify the key focus areas of the assessment, and release a request for proposal, if needed, detailing the Board's expectations for the exam. Any test produced will need to be piloted and checked for validity, reliability, and bias to ensure it is a quality assessment instrument. The Department will also need to determine the level of assistance it will provide to districts to implement the revisions to the Essential Skills. The goal is to have the new academic standards correlated with the Essential Skills to help districts identify needed curriculum changes. Districts will then need to align their curriculums with the new standards, and determine how they will assess student progress at the school or district level.

RECOMMENDATION

1. The Arizona Department of Education should recommend to the State Board of Education expanded uses for the ASAP to provide for additional school accountability and to provide schools with incentives for improvement.

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OTHER PERTINENT INFORMATION

During the course of the audit, other pertinent information was developed relating to the State's responsibility for education and real-time funding.

State Responsibility for Education

Responsibility divided—Arizona statutes divide state responsibility for education between the State Board of Education, the Superintendent of Public Instruction, and the Department of Education. Statutes direct the State Board of Education to establish educational policy and the Superintendent to execute the Board's policies. The State Board of Education administers the Department of Education through policy creation. In addition, the Superintendent controls the conduct of the Department of Education and manages the Department's executive and administrative functions. The Department of Education provides service and assistance to schools, districts, and county school superintendent offices.

- **State Board of Education**—The Arizona Constitution establishes the nine-member State Board of Education. The Governor appoints eight board members to staggered four-year terms. The ninth board member is the Superintendent of Public Instruction. The Constitution further provides that the State Board of Education, with other entities, is responsible for the public school system's general conduct and supervision. Arizona statutes give the State Board of Education many duties, including supervision and regulation of public schools; administration and supervision of federal appropriation expenditures; adoption and implementation of achievement tests; prescription of minimum course requirements and student achievement standards; establishment of educational policy; and certification of teachers.

- **Superintendent of Public Instruction**—The Arizona Constitution establishes the Superintendent of Public Instruction as a publicly elected official in the Executive Department. The Superintendent is a member of the State Board of Education and serves as the Board's Secretary and Executive Officer. The Superintendent, with the State Board of Education and other entities, is constitutionally responsible for the public school system's general conduct and supervision. Arizona statutes require the Superintendent to execute State Board of Education policies, direct the Department of Education, oversee state schools, review district budgets, and apportion yearly funding to counties for school districts. The Superintendent also prints and distributes courses of study as prescribed by the Board and legal pamphlets as needed.

- **Department of Education**—Arizona statutes direct the State Board of Education and the Superintendent of Public Instruction to jointly administer the Department of Education. Statutes also provide that the Superintendent will control the Department's conduct. The Department has the following statutory duties: monitor and assist districts with financial

record compliance; conduct special education financial and program audits; develop and distribute standardized school report cards; establish and maintain an environmental education resource system; and provide technical assistance for chemical abuse prevention programs, AIDS instruction, and supplemental academic programs for kindergarten through third grade. Statutes also provide the Department with various school funding responsibilities and many discretionary duties.

Current structure could be problematic—National experts and other states' education officials identified potential problems with an elected Superintendent of Public Instruction overseen by a State Board of Education.[1] Additionally, interviews with Arizona State Board of Education members, the Superintendent of Public Instruction, Department of Education employees, county and district superintendents, and school principals suggested that similar problems may occur in Arizona. The officials noted potential problems with long-term planning ability, Superintendent accountability to the State Board of Education, and experience requirements for Superintendent candidates.

- **Long-term planning**—Kentucky previously had a structure similar to Arizona's. A Kentucky official reported problems with that structure, including limited long-term oversight and frequent program and personnel changes. Kentucky elected a new Superintendent every four years and changed education programs after each election. Similarly, Arizona officials identified potential problems with long-term education planning, and program and personnel changes following a shift in leadership. Officials reported reductions and changes in staff and programs at the Department of Education following the last election.

- **Superintendent accountability**—California, like Arizona, has an elected Superintendent of Public Instruction and an appointed State Board of Education. A California official reported that California's Board has no supervisory authority over the Superintendent and cannot control the Superintendent's actions. Similarly, several Arizona State Board of Education members indicated that the Board has no authority over the Superintendent and no ability to require the Superintendent to carry out its policies. The only way Arizona's Superintendent could be required to carry out the Board's policies would be through a special action lawsuit. Officials and experts further noted that the Superintendent, as an elected official, is accountable to voters but not to the State Board of Education.

- **Education experience**—National experts report that states with an elected Superintendent do not usually require the Superintendent to have prior education experience. Georgia is the only state of 15 states with an elected Superintendent that statutorily requires the Superintendent to have education experience. Of the 35 states with an appointed Superintendent, 19 statutorily require the Superintendent to have education experience.

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[1] Different states refer to the Chief State School Officer as either Superintendent or Commissioner. The term "Superintendent" will be used for all states throughout this part of the report.

In addition, some Arizona officials expressed concerns regarding the lack of an education experience requirement for Arizona's Superintendent.

According to a national expert, a state with an elected Superintendent is likely to experience problems. Goodwill between the Superintendent and the State Board of Education will encourage cooperation and effective functioning. California has an elected Superintendent and serves as an example of what can happen when goodwill and cooperation do not exist. Several years ago, California experienced problems when the Superintendent developed his own agenda and refused to cooperate with the State Board of Education. The Board, with no supervisory authority, could not control the Superintendent's actions. Ultimately, the California State Board of Education sued the Superintendent to force him to cooperate.

In contrast to the potential problems that have been identified, Arizona's Superintendent of Public Instruction identified potential benefits of an elected Superintendent or State Board of Education. First, an elected Superintendent or State Board of Education provides a voice for the public in education. Since education receives a large portion of the state budget, it is important that public opinion is represented. Second, an elected official, whether the Superintendent or a Board member, is directly answerable to the public for carrying out its desires.

Other states moving away from Arizona's structure — Nationally, states are changing their structures to a board of education- or governor-appointed Superintendent of Public Instruction. National experts report that, since 1900, the most common Superintendent selection method has changed from election to appointment. In 1900, 69 percent of states elected the Superintendent while only 22 percent of states appointed the Superintendent. The remaining 9 percent used another selection method. By 1992, this trend had reversed; states with an elected Superintendent fell to only 30 percent, while states with an appointed Superintendent increased to 70 percent. In the past 20 years, 6 states have changed their structures from an elected Superintendent to an appointed Superintendent. During the same period, no states have changed their structure from an appointed Superintendent to an elected Superintendent. Currently, 35 states appoint Superintendents to terms of 3 to 5 years. According to a national expert, the typical pattern is for the Governor to appoint board members to staggered terms, and the board to appoint the superintendent. The board members' staggered terms provide continuity in educational planning.

Real-Time Funding

Real-time funding plan — The Superintendent of Public Instruction has proposed a "Plan for Education in Arizona" which calls for, among other ideas, the installation of what the Department of Education terms real-time funding. Currently, district funding levels are based on prior-year student counts. Under the real-time funding proposal, education monies would follow each student to the school he or she attends and would be allocated on a monthly or quarterly basis.

Since real-time funding proposes linking a certain amount of education dollars to each student, ADE management regards this plan as an appropriate mechanism for bringing accountability to schools. In addition, ADE management state that schools will not have to turn students away due to lack of monies since transferring students will come with the monies necessary to support their academic needs. Finally, because real-time funding will require tracking and reporting student level information, the Department views this proposal as an opportunity to better evaluate student achievement and provide for greater school accountability.

Concerns raised about real-time funding — In order to clarify issues and concerns relating to real-time funding, interviews with education interest groups and with ADE management were conducted. Following are concerns relating to real-time funding that emerged from those discussions and ADE's responses:

- **Budgeting Difficulties** — Education association representatives voiced concerns that since under the real-time funding proposal education monies would be tied to the student, school funding could fluctuate up and down with the student population. Schools could therefore find it difficult to plan and to budget.

  ADE's Finance Policy Director stated that schools and districts may need to use budgeting and forecasting techniques similar to those used in the private sector in addition to any trends that could be gleaned from their prior years of operations. Also, she said that some fixed cost amount may need to be set aside and provided separately to cover basic operations.

- **Complicated Administration** — Concerns were voiced regarding the complexity of real-time funding administration. Specifically, one concern is that the move toward administering monies at the student level will result in ADE having to manage the accounts of more than 700,000 individual students, instead of the approximately 233 districts for whom the Department currently administers monies.

  ADE's Director of Special Projects said that the Department has recognized the need for an automated system to make real-time funding possible. ADE proposes linking schools to the Department online to facilitate the tracking, reporting, and administration of student level information. The Department has initiated a pilot project in Pinal County to test the feasibility of transmitting data online. Florida's Department of Education has been using an online system since 1991. Its 67 school districts transmit student level data to the Department twice yearly for funding purposes. In contrast, interviews with education representatives in Minnesota and Delaware revealed that both states use magnetic tapes and diskettes to transmit student level data rather than relying exclusively on online systems. Delaware and Minnesota report student level information three times yearly and twice yearly, respectively.

- **Abandoned Obligations** — Under real-time funding, growing schools would receive increased funding while schools with declining enrollments would receive less money.

Interviews revealed concerns that these cuts could impact a school's ability to meet fixed costs and other financial obligations.

ADE's Finance Policy Director acknowledged this issue as one that would need to be addressed if the State were to move toward real-time funding. She indicated that a reserve of monies or some baseline funding may need to be established to meet schools' fixed financial obligations.

- **Accountability Not Assured**—Critics of real-time funding stated that there is no proof that it will promote school accountability and excellence. One critic of real-time funding said that children generally do not change schools simply because their parents are dissatisfied. Another critic stated that schools may actually welcome the departure of some students if the school cannot adequately meet the needs of their student populations.

  The Department acknowledged that it does not know how or if student mobility will change in reaction to real-time funding. However, ADE management cited the growth of charter schools as an indication that parents welcome expanded school choices. ADE's Finance Policy Director stated that discussions with parents have served to further convince her that parents want and need the option of changing schools if they believe their children's needs are not being met.

Department planning statewide discussion to address concerns—ADE management acknowledged that many of the concerns brought forward will have to be addressed before real-time funding is implemented in Arizona. ADE management stated that the Superintendent's real-time proposal was intended to be a starting point that would provide the foundation for further discussion. As a part of this, the Department is in the process of scheduling meetings with a variety of interested parties to address, among other issues, real-time funding logistics and concerns.

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APPENDIX

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Arizona School Report Card • 1995 - 1996

Anasazi Elementary School

Scottsdale Unified District

11130 E. Cholla, Scottsdale, Arizona 85259

Principal: Mr. Jeff Quisberg
Office Hours: 7:00 a.m. to 4:00 p.m.

Grades: K to 6
Enrollment: 892
Phone: (602) 451-5020
FAX: (602) 860-4753

Anasazi Elementary School is a special place to learn, grow and play. In 1995, Anasazi was selected as an A+ School. This honor exemplifies the outstanding efforts of the entire Anasazi community. This year's theme is "One By One We Make A Difference." Recognizing quality citizenship, requiring diligent study habits, fostering respect and establishing sound leadership skills are all part of the mission and philosophy of Anasazi.

School Organization and Philosophy

* Self-contained Classrooms
* Integrated Instruction
* Multi-age Classrooms
* Cooperative Grouping

Instructional Programs

* Gifted
* Extended Day Kindergarten
* Preschool
* Scottsdale Prevention Institute
* DARE Instruction
* Fine Arts Partnership for Instruction

Academic Goals

We will work to improve curriculum that ensures students are engaged in meaningful instruction and are meeting or exceeding state Essential Skills.	We will work to utilize current technological advancements through training, enhancement of the curriculum and creating student publications.
We will increase student hands-on science opportunities and lessons.	The students in K-2 will demonstrate improved phonics and comprehension skills as a result of supplemental language arts lessons.

School Honors

Arizona A+ School	1995
Fire Safety School of the Year	1995
Odyssey of the Mind to World Champ	1995
Math Olympiad Outstanding Students	1995

Promotion Rate 1994-95	99%
Attendance Rate 1994-95	96%
Number of School Days	176
Hours of Instruction	6 hrs. and 50 min.

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Hours of Instruction	6 hrs. and 50 min.

This Arizona School Report Card was prepared by the Arizona Department of Education using a standardized format to combine information provided by the local school with data compiled from state records. Information is provided for the 1995-96 school year unless otherwise noted. Enrollment is the number of students enrolled as of Oct. 1, 1994. Be aware that each school has special strengths and needs and that all schools benefit from the active involvement of parents in their children's education. If you have questions about the report card or need more information, contact the school office. Look for Arizona School Report Cards at http://ade.state.az.us/reportcards/ on the Internet.

Appendix
School Site Council

Council Composition	Council Duties
1 School Administrator(s)	* Budget
1 Non-certified Employee(s)	* Curriculum Development
4 Teacher(s)	* Extracurricular Activities
3 Parent(s)	* Instructional Strategies
1 Community Member(s)	* Personnel Decisions
0 Student(s)	* Staff Development

For more information regarding the school site council, contact Doris Billings at (602) 451-5020

School Responsibilities

To provide a stimulating and challenging academic program; to provide a climate conducive to learning; to honor and protect the rights of all students; to communicate openly and regularly; to encourage parent participation in the life of the school; to assure the safety of students; to maintain a highly qualified professional staff

Parent Responsibilities

Parents are urged to show support of their children in several areas: provide a supportive home environment conducive to study and learning; motivate their children to do their best by taking an interest in their work; be role models by valuing education and by participating in the activities of the school and parent organization. Parents are expected to help their children abide by the district's Code of Student Conduct and the school's rules.

Report Card Release Dates

10/27/95	01/12/96	03/22/96	05/23/96

School Safety *(The school does not have a police officer assigned to the school.)*

Number of incidents occuring on the school grounds that required the intervention of law enforcement personnel and resulted in charges being filed.	0
Number of students against whom the school filed charges during the 1994-95 school year.	0
Number of individuals other than enrolled students against whom the school filed charges during the 1994-95 school year.	0

Transportation Policy

Transportation is provided for K-3 students 3/4 mile from school, and 4-6 students 1 mile from school. Mid-day transportation is provided for eligible kindergarten students. Service is provided for special education students whose IEPs require it. Safety and welfare of student riders is the first consideration. All vehicles are maintained to provide safe and efficient transportation. Bus evacuation drills are conducted for all students and staff.

For more information regarding transportation policy, contact Hal Dibler at (602) 451-5050

Appendix

Resources Available at School Site

Special Facilities   **Extracurricular Activities**

Technology Lab   Student Council/Yearbook Staff   Art Club
Student Publishing Center   Afterschool Enrichment Program   Odyssey of the Mind
City Park as Extension of Campus Battle of the Books/Word Masters   Peer Tutoring and Mentoring
Outdoor Classroom Garden

Social Services

Day Care   Afterschool Program   Lunch Program
Counseling Services   Crisis Intervention   Health Services
DARE

For more information regarding social services, contact Doris Billings at (602) 451-5020

Academic Achievement Indicators

Students were tested in grades 4, 7 and 10 using standardized, nationally norm-referenced achievement tests. Results for 1992, 1993 and 1994 are reported in terms of the national percentile rank achieved on the Iowa Tests of Basic Skills for grades 4 and 7 and the Tests of Achievement and Proficiency for grade 12. For each of the three grade levels tested, the percentile rank score for the school is provided in the subject areas of Reading, Language and Mathematics. Corresponding national and state scores are provided for comparison.

Students were tested in grades 3, 8 and 12 on their achievement of the Arizona Essential Skills using district-selected assessments. An Essential Skills Completion Report (ESCR) was compiled by each school to indicate the percentage of students meeting achievement levels (standards) determined by the district for competency in reading, mathematics and writing skills. Each subject area for each grade has several clusters of skills which are tested separately throughout the school year until mastery is achieved. For each cluster the standard to be met is given as a percentage of the possible points on the test. The percentage of students tested is reported and the percentage of students determined to be proficient is given.

Iowa Tests of Basic Skills and Tests of Achievement and Proficiency					
Percentile Rank Scores					
		School		Arizona	National
Grade 4	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1994</u>	
Reading	67	80	70	48	48
Language	62	69	67	48	49
Mathematics	66	76	73	49	46
Grade 7					
Reading	--	--	--	53	48
Language	--	--	--	53	48
Mathematics	--	--	--	51	46
Grade 10					
Reading	--	--	--	51	47
Mathematics	--	--	--	47	48

Appendix

Student Achievement of Essential Skills 1994-95

This summary lists the Essential Skills clusters, with the district standard, the percentage of students tested, and the percentage of students achieving mastery.

GRADE 3

READING	District Standard	Percent Tested	Percent Mastery
Personal Experience Narrative	75%	100%	11%
Story	75%	--	--
Informative Report	75%	86%	74%
Communication	75%	100%	69%
Poem	75%	--	--
WRITING			
Personal Experience Narrative	75%	100%	50%
Imaginative Story	75%	89%	78%
Report	75%	--	--
Communication	75%	83%	43%
Poem	75%	--	--
MATHEMATICS			
Sorting and Classifying	75%	100%	95%
Conjecturing	75%	100%	75%
Fractions	75%	100%	73%
Using Money	75%	100%	39%
Measurement	75%	100%	87%
Patterns	75%	100%	90%
Identifying Shapes	75%	100%	81%
Interpreting Word Problems	75%	100%	79%

GRADE 8

READING	District Standard	Percent Tested	Percent Mastery
Personal Experience Narrative	75%	--	--
Story	75%	--	--
Informative Report	75%	--	--
Communication	75%	--	--
Poem	75%	--	--
Summary	75%	--	--
Essay	75%	--	--
WRITING			
Personal Experience Narrative	75%	--	--
Story	75%	--	--
Report	75%	--	--
Communication	75%	--	--
Poem	75%	--	--
Summary	75%	--	--
Specialized Expository Paper	75%	--	--
MATHEMATICS			
Statistics	75%	--	--
Probability	75%	--	--
Analyzing Data	75%	--	--
Measurement	75%	--	--
Geometry	75%	--	--
Geometric Principles	75%	--	--
Expressions and Equations	75%	--	--
Patterns	75%	--	--
Mathematical Reasoning	75%	--	--

GRADE 12

READING	District Standard	Percent Tested	Percent Mastery
Personal Experience Narrative	75%	--	--
Short Story	75%	--	--
Informative Report	75%	--	--
Communication	75%	--	--
Poem	75%	--	--
Summary	75%	--	--
Essay	75%	--	--
Persuasive Passage	75%	--	--
Review/Evaluation/Critique	75%	--	--
WRITING			
Personal Experience Narrative	75%	--	--
Short Story	75%	--	--
Report	75%	--	--
Communication	75%	--	--
Poem	75%	--	--
Summary	75%	--	--
Specialized Expository Paper	75%	--	--
Persuasive Paper	75%	--	--
Evaluation	75%	--	--
MATHEMATICS			
Analyzing Data	75%	--	--
Progressions	75%	--	--
Misuses of Statistics	75%	--	--
Geometry	75%	--	--
Measurement	75%	--	--
Reasoning	75%	--	--
Graphing	75%	--	--
Statistics	75%	--	--

Note: Under the Family Educational Rights and Privacy Act of 1974, no individually identifiable references to students may be made. Therefore, items of data containing information about three or fewer students have been replaced with an asterisk (**) to protect student privacy. Some columns contain a dash (--) to indicate "not applicable or no data available" because schools may not test all subject areas or grade levels in the same year.

AGENCY RESPONSE

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Response to Finding I

While it is true that the Department of Education does not verify transportation expenses, it does verify the transportation support level as defined by law. The final route report is compared to the prior year and discrepancies found are questioned. Adjustments are made to route miles when they are found to be in error.

The Department does not disagree with the principle of reimbursement for expenses. However, the Department is in full compliance with the transportation support level formula. The law does not require school districts to expend these Monies on transportation nor was it the intent of the law to fully reimburse districts for these costs.

In fiscal year 96, the first year of data collection for tokens and passes, the Agency divided the eligible students into the cost of tokens and passes to determine whether the costs were reasonable. No costs were found to be unreasonable.

RESPONSE TO FINDING II

ARIZONA SCHOOL REPORT CARDS
CAN BE MORE USEFUL

To preface the points ADE takes issue with, it should be stated that many of the report's comments are insightful and relate to modifications already slated for inclusion in next year's report cards, such as expansion of the school safety section, and inclusion of student mobility and school staffing data. Also, it should be noted that all the information required under ARS §15-746 is contained in the school report card. To understand the following comments, the assumption that the report cards exist mainly to provide the public a way to COMPARE schools to determine which is school is best should be challenged. Currently the ADE does not rate, or rank, schools. There are a myriad of factors other than tests scores which are available to determine whether a particular school is well-suited for a particular child. Report card sections on academic goals, instructional programs, and parent/school responsibilities provide more profound insight into the philosophy and character of a school than test scores, student-teacher ratios, and mobility rates.

Information on Student Achievement of the Essential Skills

In the absence of a statewide ASAP assessment of the state-Board-determined academic content standards, data on student achievement of the Essential Skills, as reported by schools, is the only available measure of whether such standards are being met. To not report mastery information on student achievement of the current standards would completely neglect the notion of academic accountability and would deny students and parents information on the very academic standards that one day may be used to deny students their diplomas.

Though determination of student mastery of the essential skills does vary by school, and comparison between schools is a dubious endeavor, these data are meaningful within a school, and often between schools in a district. Information on district-determined mastery levels, or cut scores, for student assessment are provided in the school report card because districts are responsible for determining curriculum, instruction and local assessment of the Essential Skills. This responsibility requires districts to ensure that their students have the opportunity to learn the processes and acquire the knowledge necessary to achieve state content and performance standards. In the absence of a state performance standard, districts must rely on their professional judgment to determine mastery levels, in the same way teachers determine a passing or non-passing grade for a given class. Once an equitable system of standards has been set, then the next level of accountability may be achieved. Until then, it is ADE's position that this information should not be abandoned. The ADE plans to clarify the description of this information, to help guide parents away from erroneous conclusions about school comparison based on these data.

Inclusion of Additional Information

ADE plans to put student achievement data in some context by the inclusion of a mobility factor, and the possible inclusion of the percent of students with limited English proficiency and a poverty measure such as the percent of students eligible for free meals (if available). Race/ethnicity data will not be included since a student's race or ethnicity has no inherent relationship to academic performance. Indeed, it is

against professional standards to test with an instrument that may be selectively biased against a particular group.

The use of non-mandated tests such as college entrance exams like the SAT or ACT is not a good general indicator of a school's academic achievement level, since the test is voluntary and is not required for entrance into Arizona universities if the required coursework is achieved and the student is in top 50 percent of the graduating class. The population of students taking these tests would not be a valid indicator of student preparation for college.

Currently, finance data at the school level are not readily available because school districts control funding and determine budgets as well as personnel salaries. Since schools often have little say in these decisions, such district-level data would not be indicative of school philosophy or effectiveness.

Paul N. Steet