

## REPORT HIGHLIGHTS SPECIAL STUDY

### Subject

This is the sixth annual report addressing the percentage of dollars spent in Arizona's classrooms and the uses of Proposition 301 monies. Created by a voter-approved increase in the state sales tax, Prop 301 monies provide schools with additional funds for specified purposes.

### Our Conclusion

This year Arizona districts again showed no progress in increasing the percentage of dollars spent in the classroom. In FY 2006, Arizona schools spent an average of 58.3 cents of each dollar in the classroom, slightly less than the last 3 years. Arizona continues to fall below the national average of 61.5 percent. With \$341 million in Prop 301 monies available, districts increased teacher pay, on average, by 12 percent.



# 2007

February 2007

## Classroom Dollar Percentage

To determine the percentage of dollars spent in the classroom, we continue to use the U.S. Department of Education's National Center for Education Statistics' (NCES) definition for instruction spending. Use of this definition provides consistency in comparing Arizona's performance to the national average and other states' statistics.

### Classroom Dollars include:

- Teachers' and teachers' aides' salaries and benefits
- Instructional supplies
- Instructional aids (textbooks, software, etc.)
- Activities (field trips, athletics, etc.)

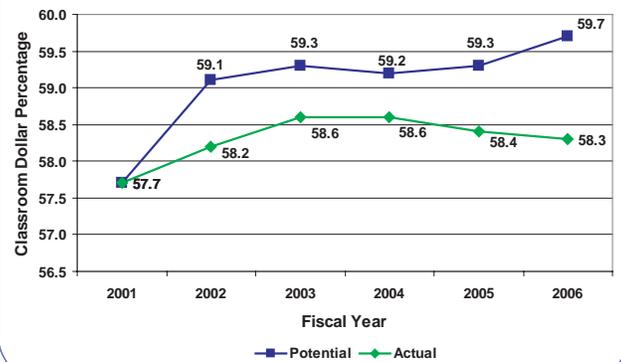
### Exclude:

- Administration
- Food service
- Support services (counselors, librarians, etc.)
- Transportation
- Building operation and maintenance

### School districts spent 58.3 percent of dollars in the classroom

In FY 2006, Arizona's classroom dollar percentage was 58.3 percent, slightly lower than FY 2005's 58.4 percent. In FY 2001, before Proposition 301, the classroom dollar percentage for Arizona districts was 57.7 percent. If districts had maintained their previous levels of spending from non-Prop 301 monies, the state-wide classroom dollar percentage could have been 59.7 percent.

Potential and Actual Classroom Dollar Percentages



### Factors reflected in national analysis

We identified demographic characteristics of Arizona's school districts that in combination may have an effect on Arizona's classroom dollar percentage. We also identified factors specific to district operations that affect the percentage.

### Combination of demographic factors—

New analysis shows that a combination of several demographic factors may relate to the State's relatively low classroom dollar percentage compared to the national average. These six factors include:

- Low per-pupil spending
- Below average district size
- High population growth
- High student-to-teacher ratios
- High poverty rates
- High percentage of students eligible for free and reduced price meals

The ten other states with the lowest classroom dollar percentages tend to have many of these factors, while the ten states with the highest classroom dollar percentages generally had only one or two factors, if any.

**Plant operations, student support, and food service higher than national averages**—Arizona districts' higher plant operations and student support costs may be due to higher energy costs and higher staffing levels, respectively. The higher food service costs may be due to higher-than-average participation in the National School Lunch Program. Our previous studies show that Arizona students in the program are more likely to eat school lunches than other students, resulting in more meals per student, on average, and higher food service costs.

remain within 5 points of the 58.3 percent state average. Districts that decreased the most were, on average, much smaller than those with more stable classroom dollar percentages.

**Very large districts impact State average**—The State's classroom dollar percentage is most affected by 11 very large districts. These districts account for 43 percent of state-wide district spending, and changes in the State's classroom dollar percentage tend to reflect changes in this group's combined percentage.

**Larger district size associated with higher classroom spending**—Generally, the more students a district has, the higher its classroom dollar percentage. This may occur because a larger district can spread noninstructional costs over more students, leaving more dollars available to spend in the classroom.

Comparison of Districts' spending to national average by function

Functional Area	5-year average		
	U.S.	Arizona	Arizona 2006
Classroom Dollars	61.5%	58.4%	58.3%
Plant Operation and Maintenance	9.6	11.5	11.2
Administration	11.0	9.7	9.4
Student Support Services	5.1	6.9	7.2
Instructional Support Services	4.7	4.4	4.8
Food Service	3.9	4.7	4.7
Transportation	4.0	4.0	4.2
Other Noninstructional Services	0.2	0.2	0.2

**Factors associated with lower classroom spending**—Certain factors continue to be negatively related to the percentage of dollars spent in the classroom. The most significant factors are plant, administration, student support, and transportation costs. Districts that spent the most per pupil in these areas had these characteristics:

**Plant operation and maintenance**

- Located at higher elevations with colder temperatures
- Operate and maintain older buildings
- Serve more high school students
- Provide more building space per pupil

**Administrative costs**

- More administrative staff per student
- More district-level positions

**Student support**

- Serve more at-risk students
- Employ more guidance counselors and social workers
- Serve more high school students

**Transportation costs**

- Transport students farther
- Transport higher percentage of students

**Administration lower than national average**—The previous cost differences more than offset districts' progress in reducing administrative costs. The state-wide average for administrative costs has decreased from 10.5 percent in FY 2001 to 9.4 percent in 2006, and continues to be below the national average.

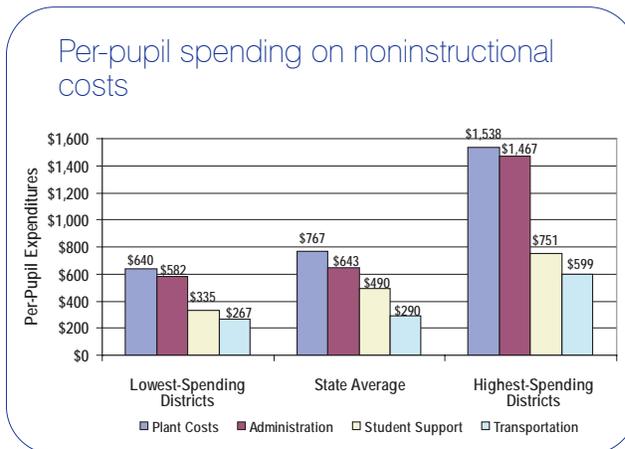
**Factors reflected in state analysis**

**More than half of districts' percentages declined**—While more than half of districts spent a lower percentage in the classroom than last year, most districts

## Higher total spending does not equate to higher classroom percentages

Within Arizona, higher per-pupil spending does not equate to higher classroom dollar percentages. In fact, the highest-spending districts averaged 51.3 percent of dollars in the classroom compared to the 59.6 percent averaged by the lowest-spending districts. While the lowest-spending districts spent their noninstructional dollars at rates similar to the state-wide averages, the highest-spending districts spent about twice as much as the state-wide average on plant, administration, student support, and transportation costs.

High noninstructional spending may or may not be within district control. Districts have little control over their location, student population size, and growth. However, districts have significant control over the efficiency of their operations, such as administrative staffing and



salaries, efficiency of bus routes, and unneeded building space.

Higher-spending districts have additional revenues available, such as federal impact aid, and small school and rapid decline budget adjustments, but, on average, put a smaller proportion of each dollar into the classroom.

## How Districts Spent Proposition 301 Monies

Statutes establish a formula, based primarily on the number of students, for determining how much Proposition 301 monies each district receives and provide direction on how the monies may be used. Districts are required to direct 20 percent of the monies to increasing teacher base pay, and 40 percent to performance pay. The remaining 40 percent may be used for six purposes specified in law.

In FY 2006, districts received about \$341 million of Prop 301 monies, which was an increase of \$92 million over the previous year.

**Over 93 percent spent in the classroom—**Districts spent 93.4 percent of these monies for instruction purposes, such as teachers' salaries and benefits. Prop 301 pay averaged 12 percent, but ranged from about 1 to 25 percent of teacher salaries, or from \$407 to \$8,426 each. The wide variance is primarily because money is distributed to districts on a per-pupil basis rather than based on the number of eligible employees.

**Librarians, counselors, and others received pay—**About one-half of the districts used some Prop 301 monies to provide salary increases for positions other than teachers.

Pay Increases by Position by Fund  
Fiscal Year 2006

Position	Number of Districts		
	Base Pay	Performance Pay	Menu Options
Teachers	215	217	200
Librarians	110	113	105
Counselors/Psychologists	109	111	108
Speech Pathologists/Audiologists	69	64	60
Instructional Aides	7	12	23
Other	49	50	60

**Use of menu monies**—Besides increasing teacher salaries, districts spent some menu monies for the other allowable purposes, but primarily for class size reduction, AIMS intervention, and teacher development.

**Unallowable expenditures**—Four districts spent a total of \$209,000 on unallowable expenditures relating to transportation, administration, and plant operations. In addition, there are indications that 36 districts may have used Prop 301 monies to supplant other monies previously used to pay teacher salaries.

**Performance pay based on a variety of goals**—While most districts included goals related to student achievement, teacher development, and parent/student satisfaction, districts varied in the goals they established for awarding performance pay. However, almost all districts reported accomplishing their performance pay goals. Beginning in 2006, districts must adopt their performance-based compensation system at a public hearing.

**A district-by-district perspective**

Our full report includes:

- A listing of districts grouped by size and ranked by percentage dollars spent in the classroom.
- A data sheet for each district, presented in alphabetical order, including classroom dollars and Proposition 301 spending and other comparative data.

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling  
**(602) 553-0333**



or by visiting our Web site at:  
[www.azauditor.gov](http://www.azauditor.gov)

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Number of Districts with Performance Pay Goals by Category

Goal Category	Number of Districts		Percentage Accomplishing Goals
	Setting Goals	Accomplishing Goals	
Student Achievement	187	179	96%
Teacher Development	114	108	95
Parent/Student Satisfaction	92	87	95
Teacher Evaluation	72	71	99
Student Attendance	59	55	93
Leadership	53	51	96
Tutoring	52	48	92
Teacher Attendance	26	26	100
Dropout/Graduation Rates	29	27	93
Other	33	33	100%

**Dollars Spent in the Classroom**