

## **Talking Point Facts - K-12 Public Education**

(for Legislative Day, calls/emails/letters to legislators, and Newspaper Letters to the Editor)

Please do consider writing a newspaper letter to the editor or opinion piece. Choose just one area below from which to select a few points for your focus. This is long, but there is much to address and even then categories of information have been skipped. For legislative day, you may want to print out only the parts you choose to discuss with legislators.

### **Budget, Taxes and State Priorities**

- ▶ Although the state budget is to reflect the state's priorities for education, public safety and protection of the most vulnerable, the large and growing shortfalls in revenue mean those priorities cannot be met.
- ▶ Tax cuts passed since the recession account for more than one-third of the FY 2016 projected \$1 billion deficit.
- ▶ With the exception of 2003, the Arizona legislature has reduced tax rates and/or increased exemptions and credits in every year since 1990. By fiscal year 2016, the cumulative impact of this steady stream of tax cuts enacted since 1990 will reach \$1.4 billion less in general fund revenues—more than double that when you adjust for inflation.
- ▶ Arizona has been cutting taxes consistently for 20 years. Despite arguing for tax cuts as a way to stimulate the economy, the evidence does not support the claim and recovery from the recession remains painfully low.
- ▶ Not only has the state legislature continued to cut taxes but they have systematically created a barrier to deflect legitimate tax revenue away from critical state needs.
- ▶ Three-fourths of the corporations filing income taxes in Arizona in 2011 paid only the minimum tax liability of \$50. Fewer than one in ten corporations paid \$5,000 or more in income taxes.
- ▶ When all types of state and local taxes are combined—income, sales and property— families with incomes in the bottom fifth pay more than twice what families in the top 1 percent do—\$12.88 for every \$100 of income compared to \$4.70 for the highest income families. Sales taxes make up the largest portion of the taxes paid by those with the lowest incomes.

### **Funding K-12 Public Education**

- ▶ State public school funding per student has dropped 24 percent since fiscal year 2008. The figure is 17.5 percent when adjusted for inflation.
- ▶ In 2012, Arizona spent \$7,559 per pupil in education, less than three-fourths of the national average (\$10,608). Classroom Instruction spending was less than two-thirds of the national average.
- ▶ Arizona ranks third worst in the country in depth of cuts for school funding since the start of the recession. Seventeen states have actually increased education funding since the recession.
- ▶ Some of the major cuts in K-12 education state funding include:
  - Cutting back full-day funded kindergarten to only half-day kindergarten.
  - Funding for "soft capital and capital outlay" for textbooks, computers, technology and classroom supplies has been cut nearly in half (44 percent)
  - Eliminating the building renewal formula for public school building maintenance and repair and replacing it with a small grants program that is 80 percent lower than the funding provided in fiscal year 2008.
  - Suspending or eliminating altogether statutory funding formulas for K-12 education, community colleges, and university financial aid.
- ▶ Funding cuts at the state level have forced cost shifting to local tax payers. There has been no alternative for school districts other than to seek critically needed maintenance and operations funding from local tax payers in the form of override elections.
- ▶ The funding cuts to K-12 education have come at the same time that lawmakers and taxpayers have been raising expectations for the public schools, teachers, and students. Expectations for student achievement continue to increase while state funding to address those expectations have been shrinking.

- ▶ The Arizona Auditor General and the U.S. Census Bureau have noted the low rate of spending for school administration across the state. Within the 50 states, according to the U.S. Census Bureau, Arizona had the lowest administration spending per K-12 student in 2012 of all states (Includes both school and district administrative expenses).
- ▶ Although spending in “student support services” is not considered classroom spending, it directly supports student learning and achievement. Student support service spending pays for speech, audiology and occupational and physical therapy services for students as well as health, psychological services, attendance, social work and guidance. Of all categories of school funding, only the support service spending in Arizona exceeds other categories of education spending when compared to the U.S. average and is impacted by our high levels of youth poverty.
- ▶ In Arizona, 26 percent of youth under age 18 lived in poverty in 2013 according to the Kids Count data center.
- ▶ The Arizona Supreme Court ruled that the state legislature violated a voter mandate by only partially funding inflationary adjustments for K-12 funding. The Superior Court has ordered the state to re-set the funding base to meet the voter mandate by adding \$336 million to the K-12 budget every year starting now. The state legislature is appealing this ruling.
- ▶ The “Performance Incentive Fund” (or Student Success Fund) is part of a reform effort to reward the school high achievers and penalize the laggards. The problem is that most high-performing schools are high-performing due to location in affluent neighborhoods. Thus, the program ends up rewarding well-to-do schools that need it the least, while providing little or no help to the poor schools that need it most, thus creating greater inequities.

### **Tuition Tax Credits**

- ▶ Arizona is unable to meet the state's budgetary needs, to a large extent, due to the legislature's enactment of a system of tax credits. Arizona cannot afford to continue offering tax credits which strip the general fund of legitimate tax revenue.
  - Tax credits cost the state budget \$311 million in 2012 and have been growing at an extremely fast rate.
  - The expansion of the private school tuition tax credits is having a significant impact on state revenues through the use of two individual and two corporate tax credits for empowerment scholarships (school vouchers for private education) and funneled through contributions to student tuition organizations (STOs).
  - Like individual taxpayers, corporations can significantly reduce or eliminate entirely their income tax bill through the use of tax credits. In 2011, corporations reduced their tax liability by \$119.6 million through the use of tax credits and carried another \$1 billion over to be used as tax credits in future years.
  - Some households with higher incomes end up paying no state income taxes because their tax liability is erased through the use of exemptions, deductions and tax credits.
  - The dollar amount or "tax credit for the donor" which was contributed to STOs rose from under \$14 million in 1999 to \$109.8 million in 2013.
  - State legislators never know what the fiscal impact of any tax credit will be in any particular year until after the tax credit has been taken.
- ▶ The tuition tax credit program is not well-monitored permitting abuses in utilization of the benefits and personal profiteering by others. The program lacks the same accountability and control that state spending has and state lawmakers have virtually no accountability or control over tax credits once they are in state law.
  - At least one legislator is reaping personal income from many individual's well-intentioned tax credit donations -- earning a \$113,000 salary in 2013 from tax credit donations via the STO he heads. Up to 10 percent of the donations may be used for administration and salaries of the STOs administering the program.

## **Kindergarten, Early Childhood Education and Health**

- ▶ Due to cutbacks at the state level, school districts which choose to offer full-day kindergarten must pay for it by cutting spending elsewhere, charging tuition or seeking funding from local override election measures.
- ▶ Ninety percent of a child's brain develops *before* they start kindergarten. Research shows that children exposed to high-quality early learning are more prepared when they enter kindergarten, do better in school and are more likely to graduate and go on to college.
- ▶ A child who receives early childhood education and health care services before age 5 is more likely to succeed in grade school, high school and beyond.
- ▶ Many elementary school absences and learning problems are caused by developmental delays that were not detected before children entered kindergarten or by chronic illnesses that became more severe due to a lack of preventative care.
- ▶ Arizona ranks 46th (ahead only of Louisiana, Nevada, New Mexico and Mississippi) in overall "child well-being." Arizona ranked 46th on measures of economic well-being, 44th in education, 44th in health, and 46th in family and community.
- ▶ Virtually half (49 percent) of children in the state are within 200 percent of the federal poverty level. Families qualifying for food stamps increased from 12 percent in 2000 to 33 percent in 2013.

As the Arizona Children's Action Alliance concludes *"State budget and tax policies are in our hands. Certainly our fiscal condition is shaped by our economy and some circumstances out of our control. But the budget gaps we face today and tomorrow are largely shaped by the policy decisions and trade-offs we have made in the past. Our fiscal future depends on our values and our choices. Leadership in the community and in the state legislature will mean finding the fiscal tools that can bring our priorities for health, education, and security to life."*

NOTE: Data and commentary has been liberally drawn from the Questions and Answers About Arizona's State Budget and Taxes. January 2015, from BringingUpArizona.Com, the KidsCount.org data center and the Exploring K-12 Education in Arizona white paper. See the following links to peruse the reports and information:

<http://azchildren.org/caa-new-budget-taxes-guide>

[www.bringinguparizona.com](http://www.bringinguparizona.com)

<http://datacenter.kidscount.org/data/tables/43-children-in-poverty#detailed/2/2-52/false/36,868,867,133,38/any/321,322>

[http://www.nwmc.az.lwvnet.org/files/education\\_white\\_paper\\_feb\\_11final.pdf](http://www.nwmc.az.lwvnet.org/files/education_white_paper_feb_11final.pdf)

The following articles, although two years old, reveal some of the inherent problems in the tuition tax credit program and charter schools which are really quasi-public schools and do not have true public disclosure:

<http://www.newrepublic.com/article/110355/charter-school-officials-are-enriching-themselves-public-funds>

<http://www.azcentral.com/news/articles/20121117charter-snapshots.html>

<http://www.azcentral.com/news/articles/20121016insiders-benefiting-charter-deals.html>

Some sound bites and short sample letters are also being prepared and available within the following week.

Joye Kohl

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