

Deer Valley USD Budget Committee: Understanding School Finance

Welcome to the DVUSD Budget Committee meeting. Over the next few sessions, we'll develop recommendations for the 2025-26 fiscal year budget priorities. Today's focus is on School Finance 101 and an overview of Deer Valley Unified School District's finances.

Our journey will take us through the complexities of school funding, from local tax rates to expenditure budgets. Our objective today is to provide a comprehensive understanding of how our district's finances work and the factors influencing our budget decisions.

by **Jim Migliorino, Deputy Superintendent of Fiscal & Business Services**
and **Tracy Rockwell, Director of Finance**



Deer Valley USD Budget Committee

Charge of the Committee:

This committee of various stakeholders will develop a recommendation of the budget priorities for the 2025-26 fiscal year.

Meeting Schedule:

Wednesday, December 11, 2024 - School Finance 101 & Deer Valley Unified School District Financial Overview

Beginning of December 2024 - Electronic Community Budget Priority Input

Wednesday, January 22, 2025 - Establishing Budget Priorities for Community Survey

End of January 2025 - Electronic Forced-Ranking Survey

Wednesday, February 19, 2025 - Develop Budget Priority Recommendation

All meetings are scheduled for 6:00 to 8:00 PM planned in-person at the District Office.

⇒ **Committee Member Introductions**

Arizona School Finance System Overview

The Arizona school finance system aims to provide equal dollars per pupil for school operations across the state. This "equalization formula" balances local property tax rates with state financial assistance, ensuring similar effort in raising educational funds regardless of local property values.

The system sets *spending limits* for three key areas: Maintenance and Operations Fund, District Additional Assistance Fund, and Classroom Site Funds. These limits are governed by Arizona Revised Statute Title 15 and the Uniform System of Financial Records (USFR).

1

Equalization Formula

Balances local property tax rates and state assistance to provide formula-based dollars per pupil

2

Spending Limits

Established the maximum amount – or limits - for Maintenance and Operations, District Additional Assistance, and Classroom Site Funds

3

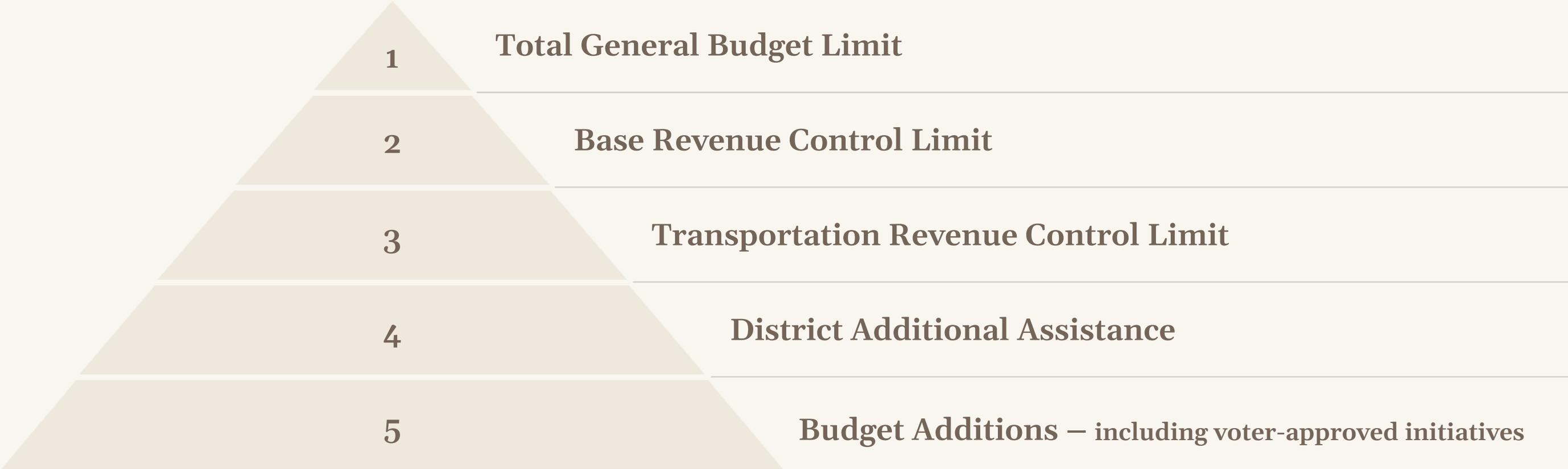
Governing Regulations

Arizona Revised Statute Title 15 and Uniform System of Financial Records (USFR)

Building the Expenditure Budget

The foundation of our budget is the Average Daily Membership (ADM) - the average number of students enrolled each day during the first 100 days of the school year. This crucial metric affects our budget limit and funding. Arizona uses weighted student counts, considering factors like special education needs and grade levels, to determine our Base Revenue Control Limit.

Other key components include the Transportation Revenue Control Limit, District Additional Assistance, and various budget additions. These elements combine to form our Total General Budget Limit.



Additions/Changes to Budget Limits

- Current Year Funding
- Desegregation Funding
- Carry Forward (from the previous year unspent budget capacity)

Voter-Approved Initiatives

Maintenance and Override (M&O) Override

A.R.S. §15-481 allows a district to increase its M&O budget by up to an additional 15% of its Revenue Control Limit if the voters of the district approve by election. The voter authorization is given for up to seven years.

District Additional Assistance (DAA), or Capital, Override

A.R.S. §15-481 allows a district to increase its capital budget by up to an additional 10% of its Revenue Control Limit if the voters of the district approve by election. The voter authorization is given for up to ten years.

Bond

A.R.S. §15-491 allows a district to ask the voters to approve additional funding for capital needs.

Deer Valley USD Existing M&O Override

FY25 is final fully funded year, FY26 will be reduced by 1/3, FY27 by 2/3, and FY28 it is eliminated - if not renewed by the voters

<u>M&O Override Category</u>	<u>Planned for FY25</u>
Existing M&O Salaries (8% of existing salaries)	\$ 17,355,000
Class Size at Grades K-6 (-3 FTE/Class Load)	\$ 4,020,000
Class Size at Grades 7-12 (-3 FTE/Class Load)	\$ 4,350,000
Specialized Programs for Students Including Co-Curricular, Extra- Curricular and Full-Day Kindergarten	\$ 5,914,023
Extracurricular Activities	\$ 500,000
Counselors and Support Services Staff	\$ 500,000
District Department Budgets (10%)	\$ 525,000
School Budgets (10%)	\$ 250,000
	<u>\$ 33,414,023</u>

Deer Valley USD Existing Bond from 2019

	<u>Budget</u>
Instruction-Related Needs	\$ 70,418,000
Pupil Transportation	\$ 7,350,000
Facility & Safety Needs <small>(existing schools)</small>	\$ 66,039,000
New Construction - Student Growth	\$ 24,000,000
Administrative Technology Equipment and Infrastructure	\$ 3,205,000
Campus Support Vehicles	\$ 1,950,000
Administrative Building Improvements	\$ 2,038,000
	<u>\$ 175,000,000</u>

Deer Valley Finances By the Numbers

for FY25

FY25 Adopted Budgets
Maintenance & Operations (M&O)

\$279.5 million



Capital

\$31.2 million



Bond Spending (2019 Bond)

\$20.2 million



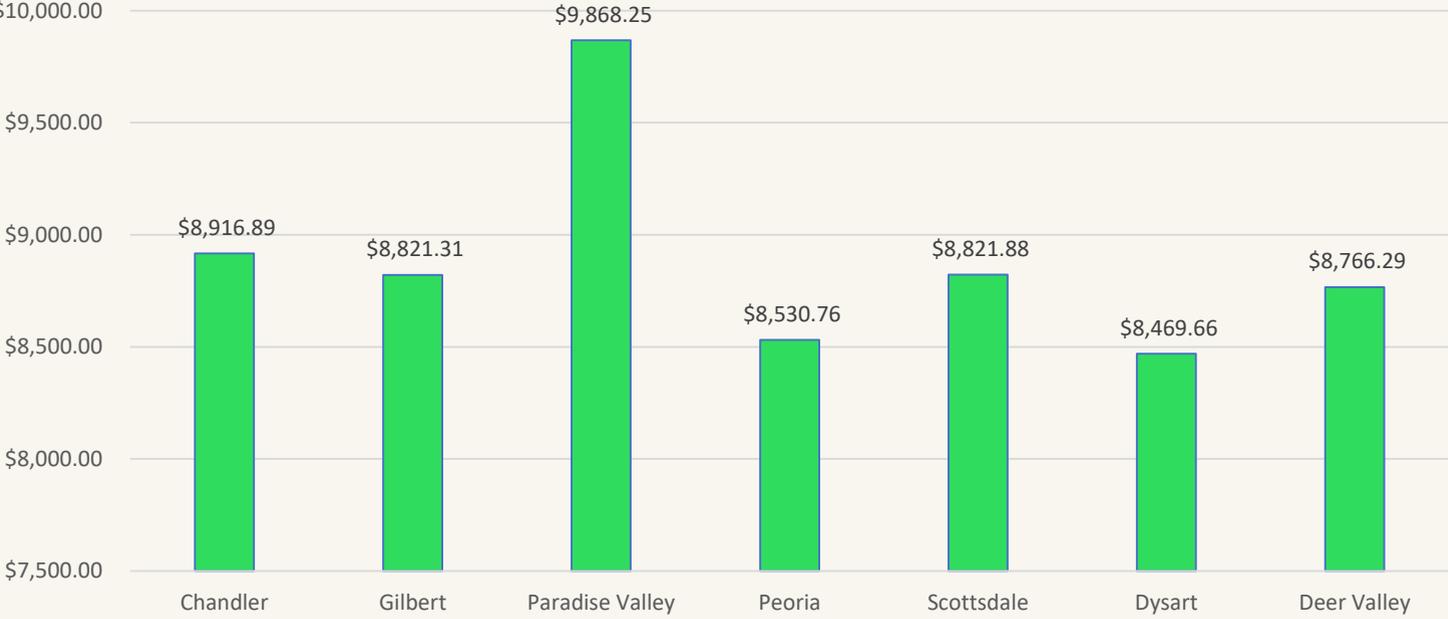
Federal Projects

\$27.1 million



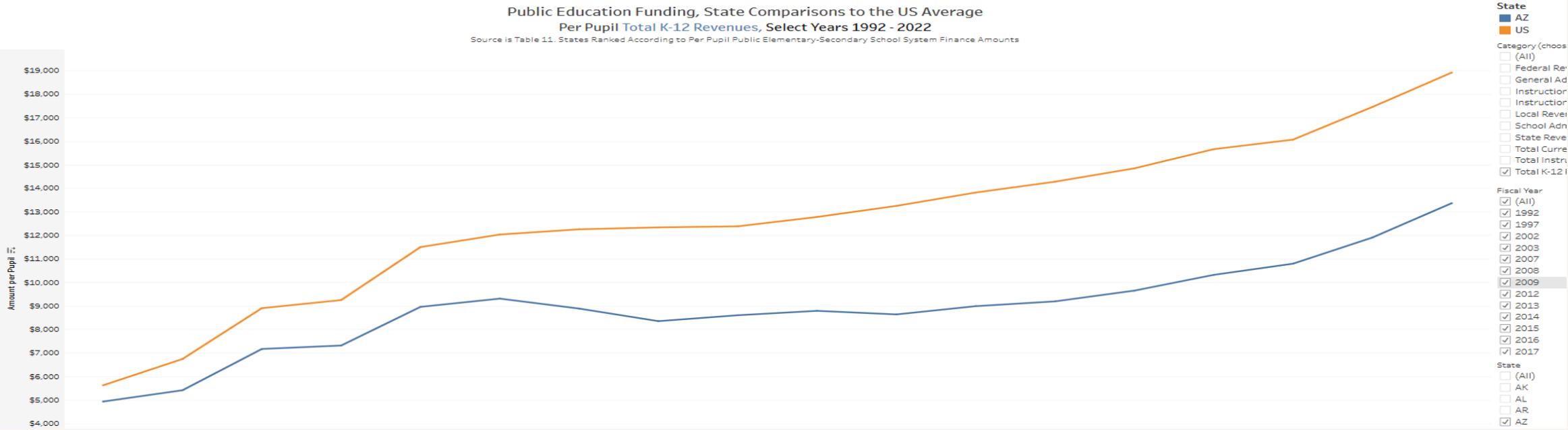
Comparative Amounts of Funding

M&O Expense per Student
FY24 Annual Financial Report



*This includes the full
15% M&O Override for
Deer Valley USD*

Arizona K-12
Revenue
Compared
to National
Average
1992-2022



Expenditure Budget Breakdown

Our Maintenance & Operations (M&O) Budget covers day-to-day expenditures such as salaries, benefits, supplies, utilities, and maintenance. In the fiscal year 2024, DVUSD spent \$8,766.29 per student, slightly below the comparable district average of \$8,991.82.

Breaking down our M&O budget by function, we allocate 59.5% to instruction, surpassing both the state average of 54.5% and the peer group average of 57.0%. This demonstrates our commitment to prioritizing classroom spending.

59.5%

Instruction

Percentage of M&O budget allocated to instruction, above state and peer averages

\$8,766.29

Per Student

Amount spent per student in FY 2024, slightly below comparable district average

85.5%

Personnel

Percentage of M&O budget allocated to salaries and benefits

Governing Regulations

Since we are stewards of taxpayer funds, there are restrictions and reporting requirements for how funds can be spent.

Maintenance & Operations (M&O) – Accounts for all of a district’s financial resources except those required to be accounted for in another fund. For example, districts cannot use this fund for transactions related to capital items.

Federal & State Grants - funds used to account for revenues and expenditures of federally funded projects. Limited to the requirements of the grants.

Special Revenue – account for the proceeds of specific revenue that are restricted or committed to expenditures for specified purposes.

Capital – funds used to account for tangible assets.



Classroom Site Fund (Proposition 301)

The Classroom Site Fund, established by Proposition 301 and renewed for another 20 years in 2018, provides additional funding through a 0.6% sales tax. This fund supports additional teacher compensation increases as well as teacher performance pay.

For the 2024-25 school year, DVUSD projects a total allocation of \$30,074,447 from this fund. 60% (\$18,044,668) is allocated for teacher base salary, while 40% (\$12,029,779) is designated for performance pay.



Sales Tax Collection

0.6% sales tax funds Classroom Site Fund

Fund Allocation

\$30,074,447 total projected for 2024-25

Distribution

60% for base salary, 40% for performance pay

Understanding Local Tax Rates

Local property taxes are a crucial source of funding for our district. They are divided into two distinct rates: the Primary Tax Rate and the Secondary Tax Rate. The Primary Tax Rate funds the formula-generated M&O Budget Limit, Unrestricted Capital Budget Limit, and Adjacent Ways. The Secondary Tax Rate covers voter approved initiatives like Budget Overrides and Debt Service from Bonding.

For the fiscal year 2024-2025, our district's total tax rate is \$5.4957 per \$100 of assessed property value, with \$3.2695 for the Primary Tax Rate and \$2.2262 for the Secondary Tax Rate.

Primary Tax Rate

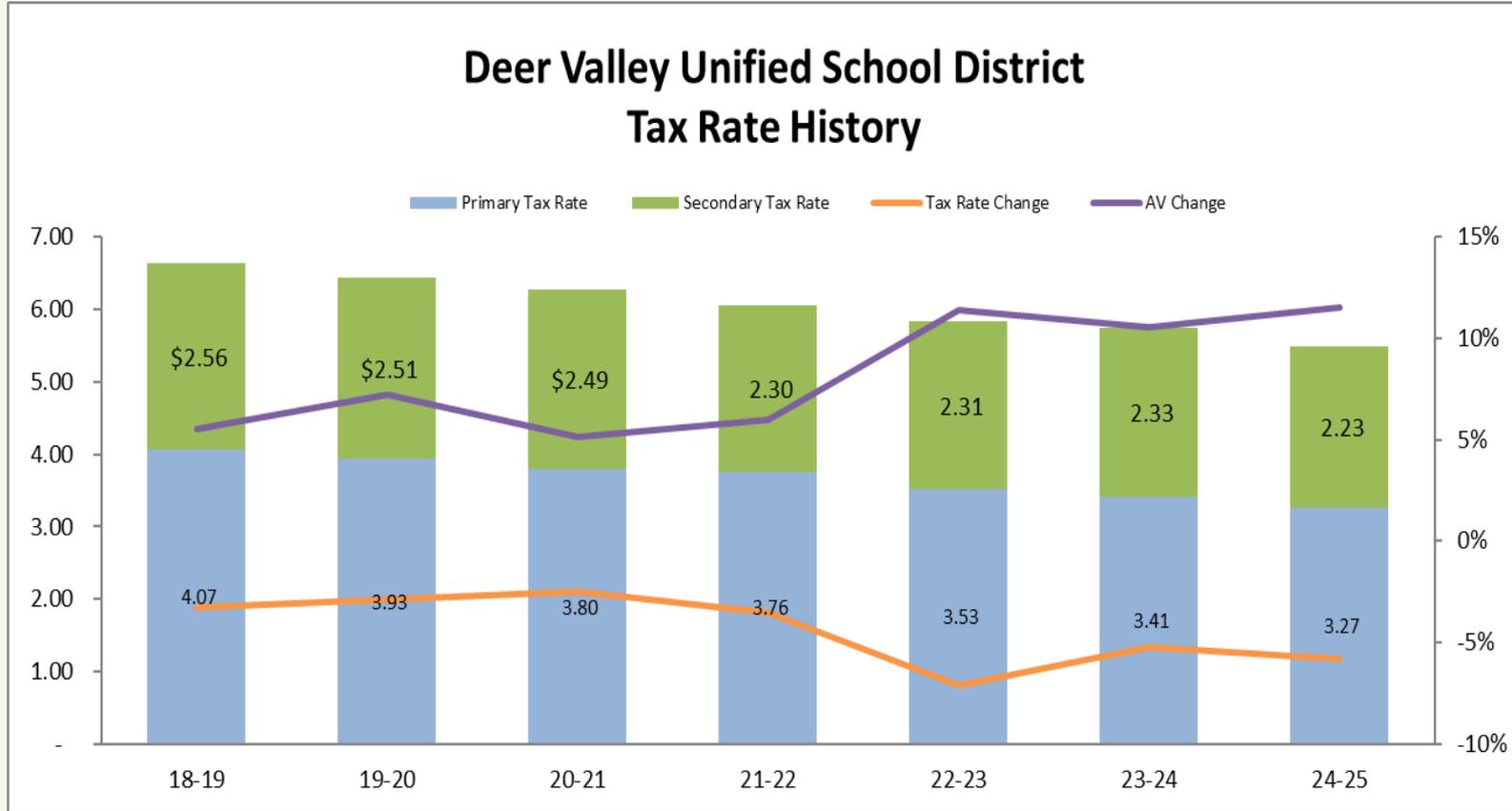
Funds M&O Budget Limit, Unrestricted Capital Budget Limit, and Adjacent Ways. FY 2024-2025 rate: \$3.2695

Secondary Tax Rate

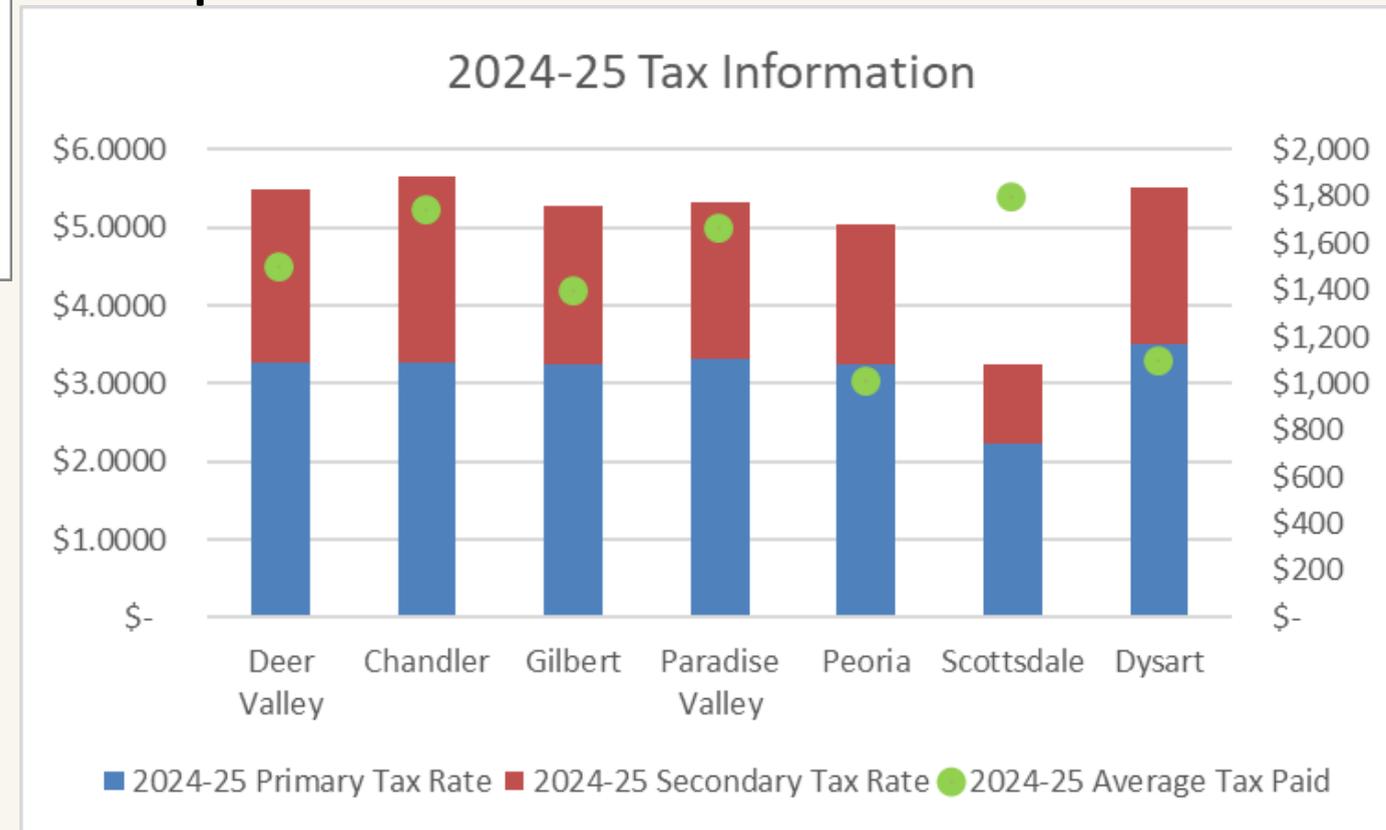
Covers Budget Overrides and Debt Service from Bonding. FY 2023-2024 rate: \$2.2262

Deer Valley USD

Historical Tax Rate Information



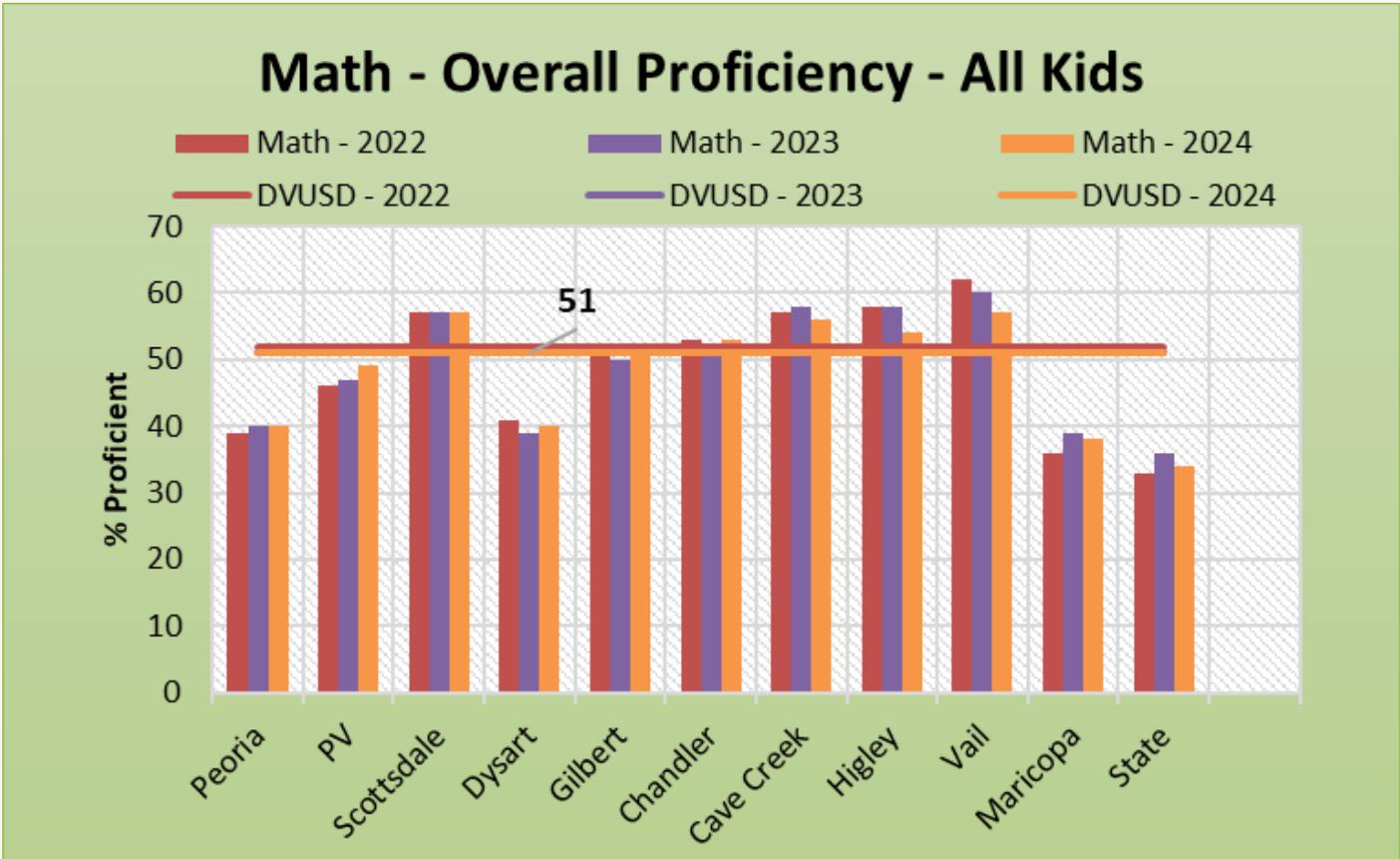
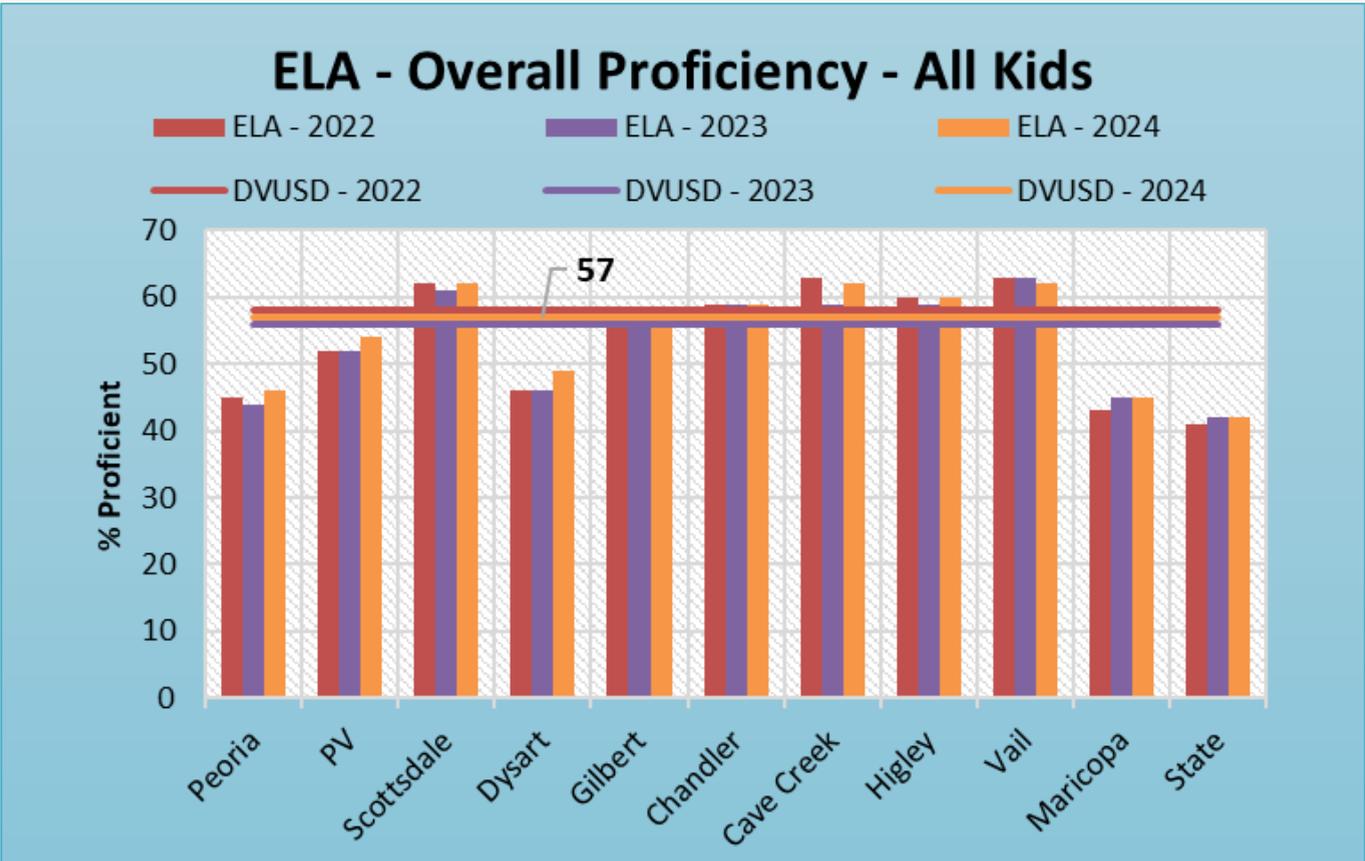
Comparative Tax Rate Information



Student Achievement Results

Despite spending less per student than our comparable group, DVUSD's student achievement results are comparable or better. In the 2024 state assessments, our district outperformed the state average in both ELA (57% vs 42% passing) and Math (51% vs 34% passing).

For the 2023-2024 school year, 90% of DVUSD schools received an A or B letter grade, with 26 schools earning an A and 8 schools earning a B. Our ACT results also show strong performance, with DVUSD scoring above the state average in all subjects.



Next Steps in Budget Planning

As we move forward in our budget planning process, we'll need to consider various factors including district demographics, student needs, and available resources. Our next meeting on January 22, 2025, will focus on establishing budget priorities from the community survey.

Remember, our goal is to develop a recommendation for the 2025-26 fiscal year budget priorities that aligns with our district's vision and mission while meeting state and federal mandates. Your input and expertise are crucial in this process.

Review District Needs

Consider changes in student enrollment, special education needs, and facility maintenance

Prioritize Expenditures

Balance instructional needs with operational requirements

Analyze Funding Sources

Examine local tax rates, state funding, and federal grants

Prepare for Community Input

Develop survey to gather stakeholder priorities

Suggested Process

Initial FY26 Budget Survey

Ask an open-ended narrative question, provide one most important budget priority

Propose to open this survey December 13, 2024 and allow this to collect responses through January 15, 2025.

2nd Budget Committee Meeting

- Additional review of Deer Valley USD finances
- Review results of the initial FY26 Budget Survey and develop budget priorities for 2nd forced-ranking survey

FY26 Forced Ranking Budget Survey

Propose to open the survey January 24, 2025 and allow responses through February 12, 2024.

3rd Budget Committee

- Review forced-ranking survey results and create a list of FY26 Budget Priorities

DRAFT Initial FY26 Budget Survey

The Deer Valley Unified School District Governing Board is seeking community input for how we should allocate resources for the upcoming school year (2025-2026 school year) in order to remain competitive and provide the best learning possibilities for students. A Budget Committee has been formed and is seeking community input to develop a list of budget priorities. For the 2025-26 school year, the committee will be looking at balancing the budget in the first year without voter-supported financial initiatives. Once the committee compiles and categorizes these priorities, a subsequent survey will be sent to the community in January 2025 to rank these budget considerations in order of priority.

To provide examples of what has been developed previously, here are examples of major budget priorities from past years:

The FY25 Budget Committee recommends the following priorities with the objective to focus on the proficiency of students, by optimizing all potential funding resources:

- Continue to enhance student and school safety, to include social and behavioral supports
- Provide for salary increases for all employees, with an increase greater for school staff than District Office staff
- Address the implications of the student to staff ratio and how it impacts student learning
- Evaluate and increase academic supports for students

The Budget Committee noted that all the priorities above are unachievable without local financial support (M&O Override and Bond), a focus needs to be on addressing the disconnect between these local financial supports and meeting these priorities.

Please identify what stakeholder group that best represents you: _____

The input we are seeking at this time is to provide the one budget priority that is the most important to you in the space below: _____