

Arizona School Districts Can Eliminate Wasteful Spending to Increase Teacher Pay



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SEPTEMBER 12, 2018

Introduction

When school administrators and teachers closed schools to march on the Arizona Capitol in April 2018, they demanded lawmakers increase spending from the state general fund, assuming this would increase teacher pay. After state lawmakers did raise spending for teacher salaries, school district interest groups continued to demand more money through tax increases.¹ While an income tax increase will not be on the ballot this year, reports suggest interest groups may try something similar in 2020.

However, a review of school district audits demonstrates that some districts already have money to increase teacher salaries if they eliminate wasteful spending practices.

The average Arizona teacher salary was \$48,372 in FY 2017.² Yet evidence shows that some districts have disproportionately high expenses associated with administration, transportation, food service, underused district buildings, and desegregation expenses not aligned with desegregation orders.³

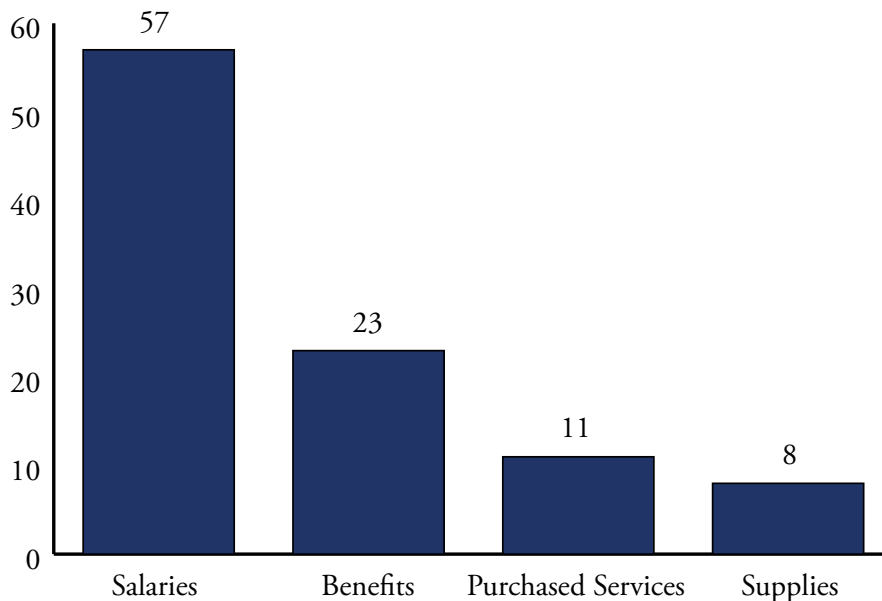
The Arizona Auditor General has monitored such spending practices for nearly two decades. While the auditor does not produce a performance audit for every school district every year, the office completes 10-

15 district audits annually, which means the examples provided below from state reports are just a sample of the more than 200 Arizona school districts. The districts the auditor has reviewed and those included in this paper, then, represent only a sample of the mis-spending and often poor budgeting practices of some Arizona school districts.

If district officials moved a portion of this spending from administration and other areas to teacher salaries, this action could result in teacher pay increases worth thousands of dollars per teacher per year. Districts have other needs beyond teacher salaries, certainly, but employee salaries and benefits account for the largest percentage of school spending per student nationwide (Table 1).

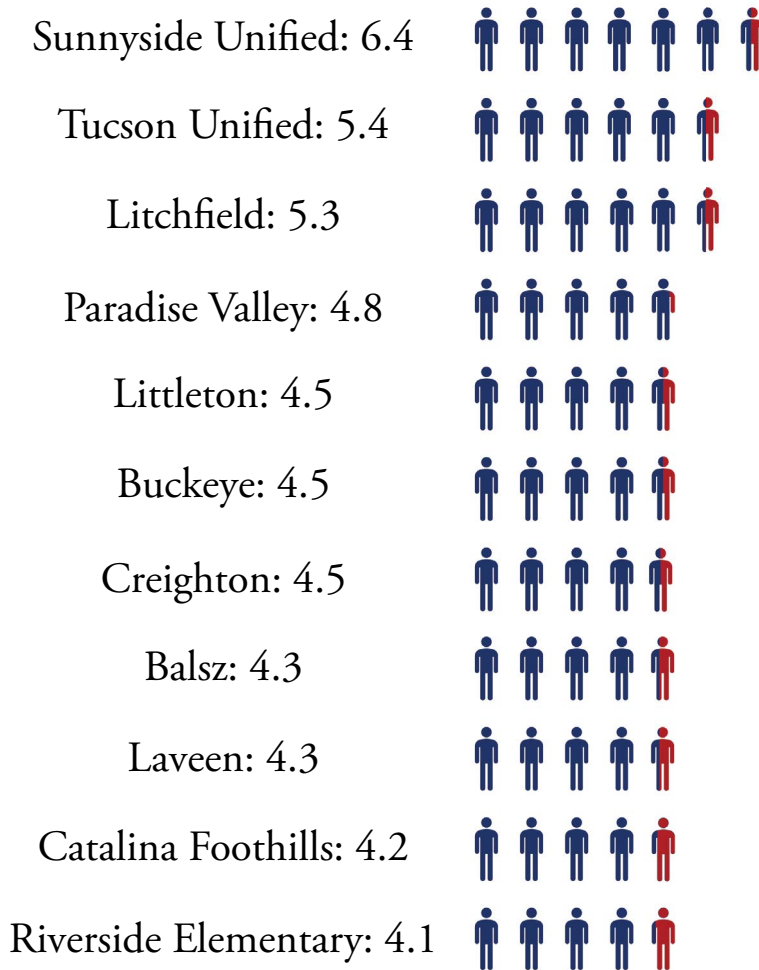
This report estimates how much teacher salaries in certain districts could be increased by redirecting funds used in wasteful or poor spending practices. However, districts may have other, more pressing needs for materials or other uses. This brief is not suggesting that a specific percentage of funds should be used in the classroom. But since teacher salaries are the current focus of legislative activity and recent protests, this paper provides a glimpse of how salaries could be improved if districts made better use of taxpayer money.

Table 1: Teacher Salaries and Benefits as a Percent of Total Spending, 2014-15



Source: National Center for Education Statistics, “The Condition of Education: Public School Expenditures,” April 2018, https://nces.ed.gov/programs/coe/indicator_cmb.asp.

Table 2: How Many Teachers Is Your Superintendent Worth?



Source: Arizona Auditor General, Arizona School District Spending, FY 2017, March 2018, Report No. 18-203, https://www.azauditor.gov/sites/default/files/18-203_Report_with_Pages.pdf; Arizona Department of Education, Annual Report of the Arizona Superintendent of Public Instruction, Vol. II, Fiscal Year 2016-2017, <http://www.azed.gov/finance/reports/>; author calculations.

Administration

School administrators routinely earn more than teachers—sometimes substantially more (Table 2). In Sunnyside Unified School District, the average teacher salary is just 16 percent of the superintendent’s salary, which means the superintendent is worth the equivalent of six teacher salaries.⁴ In Tucson Unified School District (TUSD), the average teacher makes 18 percent of what the superintendent earns, which means the superintendent is worth the equivalent of more than five teachers.⁵ The figures are similar in Litchfield, where the superintendent makes nearly \$275,000 per year.⁶

Superintendent salaries are not the only source of administrative bloat. Yuma Union High School District spent approximately 20 percent more on administrative expenses than similar districts because the district had more administrative positions.⁷ The state auditor estimates that if the school district’s administrative spending was similar to comparable districts, the district could redirect \$1.4 million in administrative expenses to classroom expenses.⁸ If Yuma Union was to do so, they could offer each of the district’s 426 teachers a raise of \$3,300.⁹

Piñon Unified School District had administrative expenses 58 percent higher than similar districts because of significant numbers of administrative staff.¹⁰ The district could bring its administrative spending levels closer to the average for similar districts and redirect nearly \$1 million to classroom spending—and each of the district’s 78 teachers would see a raise of almost \$12,000.¹¹ In fact, \$1 million is three times the amount state officials included in the 2019 budget for teacher raises in Piñon Unified.¹²

Tuba City Unified School District, a large district (in terms of acreage) in the Navajo Nation located in Coconino County, had administrative expenses 65 percent higher than similar districts.¹³ The district operates more schools than any other district in its peer group, according to the state auditor, resulting in the district on average using 31 percent of district building capacity (see below in “Underutilized Buildings”) and a larger number of administrative positions in each of these schools than comparable districts. If the district reduced the number of administrative positions and brought administrative spending closer to the average for similar districts, it could redirect \$1.3 million to teacher salaries. Teachers could see raises of \$12,000 based on the repurposing of these dollars.¹⁴ And \$1.3 million is approximately 2 and a half times the amount lawmakers set aside in the 2019 budget for teacher raises in Tuba City.¹⁵

Transportation and Food Service

For some districts, even routine expenses in the areas of food service, transportation, and utilities deserve a closer look. For example, Eloy Elementary School

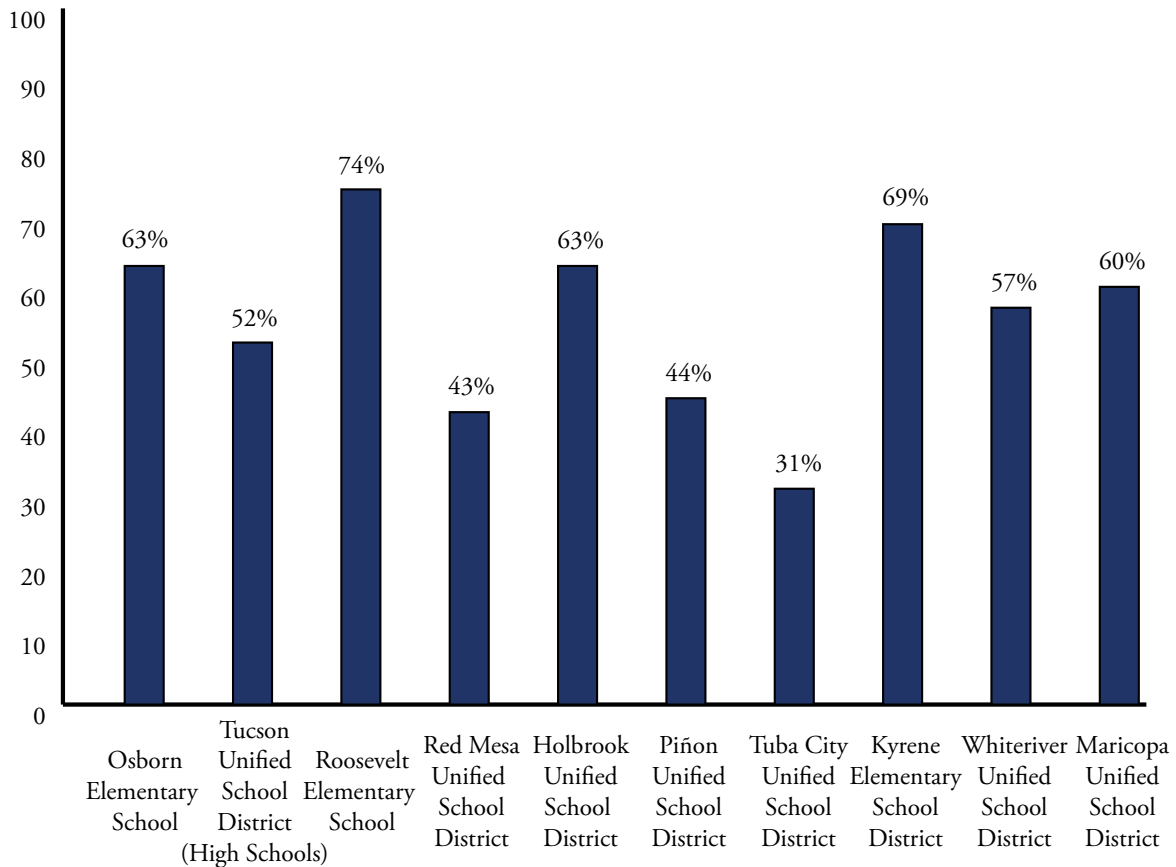
District went over budget in its food service category by \$89,000.¹⁶ But the over expenditures were due to simple waste, not the need for additional meals. Auditors estimated that the district produced 21,000 more meals than it needed in 2015, a waste of \$73,000. In Eloy, the average teacher earns \$41,550, which means that the 45 Eloy teachers could each have seen a \$1,600 raise with better use of these funds.¹⁷

In 2014, at the time of Peoria Unified School District’s most recent state audit, Peoria reported more miles in its transportation service (buses and other district vehicles) than were actually traveled. This resulted in state and local taxpayers overpaying the district by \$216,119.¹⁸ Unfortunately, because of recurring errors in the district’s reporting procedures, the auditor says the district “may continue to be overfunded until it corrects the misreported mileage.”¹⁹

In Piñon Unified School District, the district employed 23 full-time bus drivers, but auditors report, “It was not clear what their work assignments were during the day when they were not driving bus routes or performing driving-related activities, such as bus inspections.”²⁰ The district saw its transportation costs increase by approximately \$60,000 per year between 2010 and 2015 “despite no substantial changes in miles driven or students transported.”²¹ Had the district used these funds for teacher pay, the district’s 78 teachers could have seen an additional \$3,800 go to their salaries during these five years just from these transportation costs.²² If combined with the \$12,000 raise that would result from bringing Piñon’s administrative spending closer to the average for similar districts, teachers would see raises of approximately \$15,800.



Table 3: Arizona School Districts and Underused Facilities



Source: Arizona Auditor General, Performance Audits, <https://www.azauditor.gov/school-district-performance-audits-special-studies>.

In Riverside Elementary School District, officials signed a solar power contract that resulted in the loss of nearly \$50,000 in the district’s first year alone.²³ Officials bought more solar systems than needed, and the excess electricity costs more to generate than they can sell back to utility providers. Had the district not wasted these funds, its 38 teachers could have seen bonuses of \$1,300 from these funds alone.²⁴

Underutilized Buildings

In 2013, Goldwater research found significant underuse of existing district school buildings in Arizona’s 10 largest districts.²⁵ For example, Tucson Unified School District (TUSD), which has experienced a significant decline in student enrollment over the last decade, had the equivalent of 44 vacant buildings in 2013. The district’s web page indicates seven facilities have still not been repurposed.²⁶

But TUSD is not the only district with underused district building space. In fact, between 2015 and 2018, state audits of nine other districts reported significant empty space. Some districts didn’t even attempt to repurpose closed schools. In Osborn Elementary School District, officials closed a school due to declining enrollment but chose to keep the building “at a minimum level of readiness” in case it needed to be used again.²⁷ Osborn enrollment decreased by 151 students from 2011 to 2014 and has remained virtually unchanged since the 2013-2014 school year.²⁸ On average, schools in this district use only 63 percent of their total capacity (Table 3).²⁹

As of 2015, Scottsdale Unified School District used only 66 percent of district building capacity.³⁰ As a result, the district could have saved \$3.8 million if it had maintained space commensurate with “peer districts” average square footage (districts similar in size and location; see Appendix A). If buildings had been

sold, leased, or otherwise repurposed and these funds applied to teacher salaries, the district could have given a \$3,000 raise to each of the district's 1,300 teachers.³¹ The wasted \$3.8 million in facility spending would cover more than half of what the state appropriated for teacher raises in the 2019 budget.³²

As described above, Tuba City uses an unusually low percentage of the district's buildings. The auditor explains that the district has capacity for more than 5,000 students, but the district currently enrolls fewer than 1,600 students.³³ Solutions abound for the district to be more cost-effective, according to auditor reports. For example, the district has a high school, junior high school, and a new school under construction "located within 2 miles of each other" and should consider combining these facilities.³⁴

Similar conditions exist in Kyrene Elementary School District. The district has four schools located in a circular area with a 3.6-mile diameter, all operating at 65 percent capacity or less.³⁵ Kyrene has another area in the northeast corner of the district where three schools located in a circular area with a diameter of 1.5 miles all operate at 67 percent capacity or less.³⁶ The district could have consolidated buildings and leased or sold underused facilities and repurposed \$2.2 million to teacher salaries, which would have increased teacher pay by \$2,300.³⁷

As explained in previous Goldwater Institute research, lawmakers enacted legislation in 2018 that should compel districts to make better use of vacant or nearly vacant buildings.³⁸ H.B. 2460 says that districts cannot take a building off the market just because private or public charter schools want to buy the building, and districts can no longer accept lower bids for a facility if private or charter schools make better offers. Lawmakers should diligently enforce this legislation, as at least one district is trying to offload a vacant building before the new bill takes effect in 2018 to avoid giving a private or charter school the opportunity to use the facility.³⁹

Desegregation

As of 2016, some 18 Arizona school districts budgeted for desegregation activities, including Tempe Elementary School District, Phoenix Union High School District, and Roosevelt Elementary School District without a standing desegregation order.⁴⁰ Since the late

1970s, the federal Office of Civil Rights has investigated these Arizona districts and others based on discrimination complaints. As part of the settlements of the investigations, district officials agreed to engage in certain activities, such as changing the way students are assigned to district schools.

Although TUSD is the only district that remains under a desegregation order,⁴¹ other districts still levy taxes to generate desegregation funding, and how districts use the money is not always clear. These problems are part of "a well-known struggle at the Capitol," according to local media.⁴² For example, Roosevelt Elementary School District, which neither has a desegregation plan nor operates any desegregation-related activities, "levied \$13.5 million in local property taxes for desegregation purposes."⁴³ However, "the District could not demonstrate that these monies were spent to directly address the violations previously discussed due to its lack of a formal desegregation plan or related programs."⁴⁴

The Arizona Tax Research Association says Roosevelt isn't the only district with opaque desegregation budget practices, telling a local paper that "desegregation funds rarely seem to be alleviating the alleged violations."⁴⁵ Phoenix Union High School District's desegregation order expired in 2005, but the district taxed local residents \$55.8 million for desegregation efforts as recently as 2015.⁴⁶ Years earlier, in 2009, the state auditor said the district's desegregation spending had "lost its clear link with the District's original desegregation court order."⁴⁷

In 2015, the 18 districts budgeting for desegregation efforts received a total of \$211 million through local tax assessments.⁴⁸ From 2015 to 2017, state lawmakers introduced proposals during each legislative session to phase out desegregation funding or eliminate automatic tax levies that generate money for desegregation efforts, though none of these bills passed.⁴⁹ Thus, desegregation-related tax levies and the ensuing spending remain a problem for state taxpayers and lawmakers.

Conclusion

Some Arizona school districts can make better use of taxpayer money and provide teachers with better pay by eliminating wasteful spending in four areas: administration; general budgeting for common services such as transportation and food; underused buildings; and

supposed desegregation-related actions that are not related to desegregation. The state auditor has highlighted these problems for years, especially in the area of vacant buildings and desegregation.

In some cases, district officials can redirect funding and teachers will see significant pay increases. Scottsdale Unified teachers could see \$3,000 raises if the district made better use of vacant buildings, while Piñon Unified teachers could see \$15,800 raises if the district addressed administrative and transportation issues.

Before voters agree to tax increases at the behest of school district special interest groups or teachers call on state lawmakers for more state resources, school districts should clean up district budgets and repurpose funding for classroom expenses and teacher salaries.

Appendix: Explanation of “Peer Group” Comparisons

Arizona’s auditor classifies school districts into three peer groups based on operational efficiency (district size, type, and location), transportation efficiency, and student achievement.⁵⁰ For example, for operational efficiency, which includes a district’s general demographic and geographic characteristics, the auditor classified districts into 11 categories:

- ❑ Very large unified and union high school districts in cities and suburbs (e.g., Chandler Unified School District, Gilbert Unified School District)
- ❑ Large unified and union high school districts in cities and suburbs (e.g., Glendale Union High School District, Vale Unified School District)
- ❑ Medium-large and medium unified and union high school districts in cities and suburbs (e.g., Lake Havasu Unified School District, Queen Creek Unified School District)
- ❑ Large and medium-large unified and union high school districts in towns and rural areas (e.g., Payson Unified School District, Safford Unified School District)
- ❑ Medium unified and union high school districts in towns and rural areas (e.g., Pima Unified School District, Morenci Unified School District)
- ❑ Small unified and union high school districts in towns and rural areas (e.g., Bagdad Unified School District, Red Mesa Unified School District)
- ❑ Very large and large elementary school districts in cities and suburbs (e.g., Kyrene Elementary School District, Litchfield Elementary School District)
- ❑ Medium-large and medium elementary school districts in cities and suburbs (e.g., Liberty Elementary School District, Wilson Elementary School District)
- ❑ Medium-large and medium elementary school districts in towns and rural areas (e.g., Bullhead City Elementary School District, Toltec Elementary School District)
- ❑ Small elementary school districts in towns and rural areas (e.g., Naco Elementary School District, Red Rock Elementary School District)
- ❑ Very small school districts (e.g., Blue Elementary School District, Hillside Elementary School District)

ENDNOTES

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