



Proposition 123 Fact Sheet

About

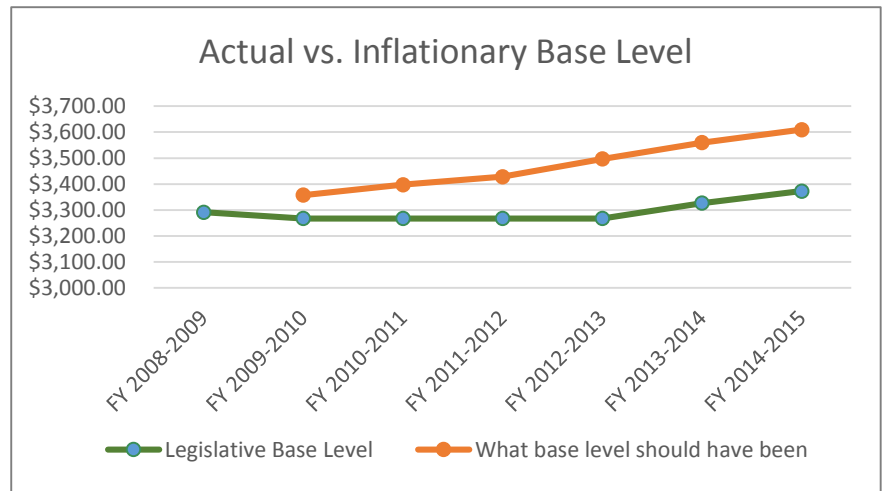
Proposition 123 is a referendum to be put before Arizona voters in May 2016. Its purpose is to restore a portion of the inflation dollars that were withheld from schools during the recession. If passed, Prop. 123 would provide \$3.5 billion to Arizona's public schools over the next 10 years.

History

Prop 123 is part of the settlement to the long-standing K-12 funding lawsuit.

In 2000, Arizona voters approved Proposition 301 which included a measure requiring the legislature to increase the school funding formula annually by as much as two-percent to adjust for inflation. It also prohibited the base level of school funding from ever being reduced below the FY02 amount of \$2,687 per pupil.

During the recession inflation was not funded.



A lawsuit was filed in 2010 alleging that the failure to fund inflation was in violation of the Voter Protection Act. After years of litigation a tentative settlement was reached in 2015. The Legislature then developed a funding plan that would meet the terms of the settlement. This funding plan is Prop. 123.

The chart above shows what the base level per student should have been based on inflation (orange) and what the legislature actually appropriated (green) to the state's public school districts.

If passed, what would Prop 123 do?

Passage of Prop. 123 would:

- provide a total of \$3.5 billion dollars to K-12 education in the first ten years,
- reset the FY15-16 Base Level to \$3,600 per student,
- pay out \$625 million over 10 years in additional funds,
- resume the annual inflation adjustment to the base level,
- and increase the State Trust Land revenue distribution, with the increased contributions directed to go to K-12 funding.

Does Prop. 123 provide all the funding that was held from schools during the recession?

No. As per the terms of the settlement, Prop. 123 only covers about 48% of the funding that the courts determined schools are due. Moving forward, it would provide about 72% of the funding increase that school districts should be receiving.

What does this mean for Laveen?

If passed, Prop. 123 would provide approximately \$1.2 million annually for Laveen.

If passed, how will it be funded?

A majority of the funding will come from the increased payout from the State Land Trust. The remaining \$625 million will come from the state's general fund. There is no increase in taxes to support this measure.

What is the State Land Trust?

When Arizona became a state, Congress granted lands to the state that are managed for the purpose of generating revenue primarily for K-12 education. These lands serve as an endowment and source of revenue for Arizona public education. Since statehood, some of these state lands have been sold and the proceeds placed into a trust fund, which is then invested in securities and bonds. Revenue also comes from the lease of state lands for activities such as cattle grazing and mining. The value of the fund is currently estimated at \$5.2 billion. The average return for the last ten years is 7.3%.

Currently, 2.5% of the State Land Trust fund is given to K-12 education annually for classroom expenditures; Proposition 123 proposes to temporarily increase that to 6.9% for ten years to assist in paying for inflation adjustments.

It is estimated that, even with this additional draw, the value of the permanent fund will be over \$6.1 billion in ten years – after Prop. 123 expires.

If passed, will Prop. 123 settle the inflation funding lawsuit?

Yes, Prop. 123 will settle the lawsuit and will guarantee a dedicated funding source for annual inflation adjustments to school funding.

If passed, when would schools receive funding?

If passed, schools will start receiving the increased funding in June.

How would Laveen use the additional funding?

Laveen will put this funding toward salaries. The district believes that by increasing salaries, we can attract and retain high quality staff. For the 2016-2017 school year, Laveen's Governing Board approved two salary schedule packages, one if Prop. 123 passes and one if it does not.

Does Prop 123 Take the place of voter approved bonds and budget overrides?

No, Prop 123 makes up for a portion of school funds that were withheld during recession years. Bonds and capital overrides provide funding for school construction and renovation, textbooks, and classroom technology. The Maintenance & Operations (M&O) budget override helps keep class sizes lower and funds full-day kindergarten and electives such as art, music, band, and P. E.