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Letter from the President of Arizona State University

On behalf of Arizona State University, a public research institution committed to excellence, broad access to quality education and social impact that improves the lives of all Arizonans, I am pleased to present the 2016 State of Latino Arizona (SoLA16).

To fulfill our core teaching mission and develop new learning models that meet the needs of the diverse communities we serve, it is imperative to have a thorough understanding of the factors that shape education in our state. This analysis, produced in collaboration with the Arizona Community Foundation, Arizona Public Service, the Phoenix Industrial Development Authority and the Raul H. Castro Institute at Phoenix College, examines school finance issues that affect the Latino community and aims to inspire constructive dialogue and considered action with the goal of fostering student success.

Arizona is a place of great possibility and limitless potential. Much of our state and regional history, heritage and accomplishments to date stem from the immeasurable contributions of the Latino community, which provide an important framework for contemplation as we imagine and plan for our shared future. Creating the Arizona we want requires foresight, will and, as SoLA16 makes clear, the thoughtful allocation of resources. More specifically, we must address the funding inequities that result from Arizona’s increasing reliance on local funds, which negatively impacts the low-income communities and school districts that have the highest percentages of Latino enrollment.

Right now, Latinos represent more than 30 percent of Arizona’s population, the fastest-growing segment in our state. The U.S. Census Bureau estimates the number of Latinos living in Arizona by 2030 will approach 4.5 million, and students of Latino heritage already constitute nearly half of Arizona’s total K-12 population. At the same time, nearly 58 percent of Arizona Latinos live in poverty, a condition that is a key determinant in diminished college preparedness and degree completion.

It is estimated that 68 percent of all jobs in Arizona will require post-secondary education by 2020. In 2016, only 35 percent of Arizona’s Latino adults had any post-high school training, and only 9 percent had a bachelor’s degree or higher.

Educational attainment is the single greatest predictor of positive social mobility for all people, yet existing gaps in Latino K-12 performance, high school completion and college degree attainment threaten to keep more than a third of Arizonans from achieving our nation’s most enduring aspiration – The American Dream.

As we determine how to create a successful, knowledge-based economy with a skilled, adaptable workforce, it is clear that the success of Arizona’s Latino population is central to the future success of our state as a whole. Without a cohesive, comprehensive strategy to close the Latino education gap, and the abandonment of ill-conceived education funding strategies that disproportionately affect the Latino community, Arizona risks a future of stagnant average incomes, diminished purchasing power, greater unemployment and poverty, increased demand for public assistance and an uncompetitive economy.

Arizona is at a critical juncture in its evolution, where it has the opportunity to achieve something unprecedented – to become a state that convenes an array of people from varied cultural, family and socioeconomic backgrounds and empowers all of them with the opportunity to achieve greatness at an equal level. To do so, our state must focus its energy on the educational attainment of all people, and in particular, how best we meet the funding needs of traditional public and charter schools with high levels of Latino enrollment. In turn, the outcomes for Arizona in terms of the health, well-being and prosperity of its populace would surely be significant.

I invite you to read through the information shared here, discuss it with others and convey your ideas about how our organizations, individually or cooperatively, could help to continue the advancement of this dialogue.

I also ask you to join me in thanking the dedicated individuals who contributed to the development of this report. Their time and energy have generated a valuable resource to help inform essential, innovative policymaking that will guide the future of our state toward the realization of its highest potential.

Thank you for your attention and for your resolute support of our efforts to help our state excel.

Michael M. Crow
President, Arizona State University
Arizona “has the opportunity to achieve something unprecedented – to become a state that convenes an array of people from varied cultural, family and socioeconomic backgrounds and empowers all of them with the opportunity to achieve greatness at an equal level.”

Michael M. Crow
President, Arizona State University
“As Arizona leaders, we have the ability to treat our children better through fact-based and honest dialogue around the kind of school system that will ensure equity and opportunity for all.”

Elisa de la Vara
Chief Community Officer
Arizona Community Foundation
On behalf of the board of directors and staff of the statewide Arizona Community Foundation, we are pleased to support and present, along with Arizona State University, Phoenix IDA and APS, the 2016 State of Latino Arizona report. We extend our sincere gratitude to those who have worked diligently to bring this report to fruition, and we look forward to this report serving as the basis for open, productive community dialogue on the critically important topic of school finance.

The Arizona Community Foundation is committed to building a bright future that promises equity and opportunity for all Arizonans, and reliable data is a critically important factor in our ability to fulfill that commitment. We support research and data collection in many forms as a way to ensure our public discourse on important topics is both informed and balanced.

Arizona is home to diverse cultures and people from all walks of life, a trait that creates a rich tapestry of people, ideas, traditions and heritage. Sadly, Arizona has the third-highest poverty rate among U.S. states, with one in five residents living in poverty. Even more concerning is that a full 38 percent of Arizona’s Latino children are living in poverty.

We know that education is the pivotal factor in ending chronic, generational poverty. Countless reports have shown that every student — regardless of race, ethnic background or socioeconomic conditions — can learn and succeed with hard work and the right opportunities, tools and resources. A well-educated population is good for Arizona, attracting high-paying, professional jobs and diversifying our economy.

Appropriate funding of our public education system should be a top priority, particularly in a state with a high number of poor children. Not only does Arizona rank near the bottom nationally in per-pupil spending, the current methods for funding schools leaves too many poor and Latino students behind. Latino students make up 43 percent of our total student population, and schools with the highest Latino enrollment are also the schools most in need.

Ignoring this reality is a pathway to failure — not just within our education system, but for our children’s future and for Arizona’s economy.

With Latinos accounting for 59 percent of Arizona’s under-18 population, this issue deserves our immediate attention if we want to ensure a strong and prosperous future for our state. With the data in this report, we have the opportunity to recognize and make changes and improvements to our school funding methods. We now need the leadership and courage to do so.

To quote anti-apartheid leader and former president of South Africa Nelson Mandela, “There can be no keener revelation of a society’s soul than the way in which it treats its children.” As Arizona leaders, we have the ability to treat our children better through fact-based and honest dialogue around the kind of school system that will ensure equity and opportunity for all.

Elisa de la Vara
Chief Community Officer
Arizona Community Foundation

“The reality that emerges from the State of Latino Arizona 2016 report is that too many Latino students are at an educational and funding disadvantage. High-enrollment Latino schools have fewer resources and face greater challenges than other schools. Our policies need to reflect this reality as Arizona considers how to best fund our schools for the future.”

David R. Garcia
Associate Professor
Mary Lou Fulton Teachers College
Arizona State University
The topic of school finance can be complex. We thank the following individuals who have provided personal comments in this report.

Toni Badone  
Superintendent, Yuma Union High School District  

Dr. Lupita Ley Hightower  
Superintendent, Tolleson Elementary School District  

Martin J. Quezada  
State Senator, Legislative District 29 Democratic Whip  

Javier Cárdenas, M.D.  
Director, Barrow Concussion and Brain Injury Center  
Governing Board member, Arizona School for the Arts  

Cam Juarez  
District Governing Board Member, Tucson Unified School  

Jesus Rubalcava  
Palo Verde ESD special education teacher, Gila Bend USD Governing Board  

Dick Foreman  
President and CEO, Arizona Business and Education Coalition  

Michele Kaye  
CFO, The Leona Group  

Marci Higuera Koke  
Principal, I.G. Conchos Elementary School, Roosevelt School District  

Paul J. Luna  
President and CEO, Helios Education Foundation  

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Parent leader, Stand for Children – Arizona  

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Joe Gutierrez  
Principal, Killip Elementary School Flagstaff, Arizona  

David R. Garcia  
Associate Professor, Mary Lou Fulton Teachers College, Arizona State University  

UHSD  

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Christine Porter Marsh  
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Executive Summary
Chapter 1
Latino Student Enrollment Trends
Over the past 20 years, Arizona has created an education marketplace in an effort to improve academic outcomes for all students. The state has encouraged parent consumers to “vote with their feet” by expanding school choice options, namely charter schools, and making school performance available to parents through ratings such as A-F school letter grades.

We found that:
• Latino students are underrepresented in charter schools; however, they attend less segregated schools and are more likely to be in an A-rated school than their peers in district schools.
• Latino charter school students are overrepresented in alternative charter schools.
• Latino students are underrepresented in Arizona’s most recognized high schools.

Chapter 2
Sources of School Funding
Public school funding comes from three major sources: local, state and federal monies.

We found that:
• Districts and charter schools with high Latino enrollment receive the least amount from state and local sources.
• Districts and charter schools with high Latino enrollment receive the most dollars per student only after accounting for federal funding.

Chapter 3
Bonds and Overrides
The decline of state funding has increased reliance on local funding sources, such as bonds and overrides. Local funding, however, is inequitable due to the challenges facing school districts with large Latino populations.

We found that:
• School districts with high Latino enrollment have less property value wealth than other districts.
• Fewer districts with high Latino enrollment propose bonds and overrides than other districts.
• Yet, districts with high Latino enrollment pass bonds and overrides at higher rates than other districts, and approve slightly higher override amounts per pupil than other school districts.
• In general, the average property value in school districts with high Latino enrollment is less than in school districts with low Latino enrollment. The residents in school districts with high Latino enrollment tax themselves at higher rates that yield relatively fewer resources than school districts with low Latino enrollment.

Chapter 4
Public School Tax Credits
In addition, state policies have encouraged more families to pay for education costs directly through programs such as public school tax credits.

We found that:
• The number and total amount of tax credit contributions are growing.
• Schools with high Latino enrollment receive the least amount in contributions from tax credits compared with other types of schools, and the gap is growing.
Executive summary

The State of Latino Arizona 2016 (SoLA16) is a “policy-forward” report that is intended to promote community conversations about school funding. SoLA16 is primarily focused on school finance because funding is the lifeblood of public education, and how funding is distributed communicates the state’s policy priorities. Furthermore, school funding is more than a conversation about whether everyone receives the same amount; it is a conversation about whether all students are provided an equal opportunity to learn and achieve.

The state of public education for Latino students is straightforward; schools with the highest enrollment of Latino students are also the schools most in need. District and charter schools with high percentages of Latino enrollment serve student populations with the highest poverty rates, the highest percentage of second-language learners, and the lowest achievement levels compared with schools with lower Latino enrollment. This report makes apparent that Arizona’s commitment to these schools and the Latino students they serve does not match their needs.

SoLA16 begins and ends with a review of specific policies. This report begins by identifying the enrollment and major financial policies that currently drive Arizona public education. Next, the applicable data are analyzed from a Latino perspective to address the question: How do Latino students fare under these policies?
Introduction
Figure 1.1

Comparison of 1998 and 2014 student enrollment for Arizona schools, by race/ethnicity, grades K–12

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>1998</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latino</td>
<td>268,098</td>
<td>496,058</td>
</tr>
<tr>
<td>White</td>
<td>466,587</td>
<td>447,601</td>
</tr>
<tr>
<td>Black</td>
<td>38,421</td>
<td>58,189</td>
</tr>
<tr>
<td>Asian</td>
<td>5,510</td>
<td>5,197</td>
</tr>
<tr>
<td>Native American</td>
<td>52,815</td>
<td>58,475</td>
</tr>
</tbody>
</table>

Source: Arizona Department of Education, Research and Evaluation: October 1 Enrollment Figures, 2014; earlier data supplied by authors

Figure 1.2

Average math and reading scale scores for white and Latino students in Arizona (National Assessment of Educational Progress, 2013)

<table>
<thead>
<tr>
<th>Grade</th>
<th>Latino</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>4th grade math</td>
<td>232</td>
<td>251</td>
</tr>
<tr>
<td>4th grade reading</td>
<td>202</td>
<td>228</td>
</tr>
<tr>
<td>8th grade math</td>
<td>269</td>
<td>294</td>
</tr>
<tr>
<td>8th grade reading</td>
<td>252</td>
<td>272</td>
</tr>
</tbody>
</table>

Introduction

SoLA16 is primarily focused on school finance because funding is the lifeblood of public education; it allows us to carry out our responsibility as Arizonans to educate future generations. In nearly every report on student achievement or the condition of our public schools, the preponderant policy issue is how Arizona can sustain the type of public education system necessary to meet its constitutional obligation to a “free public school system,” and also develop a world-class public education system that will contribute to a thriving state.

Arizona is near the bottom nationally in per-pupil spending as measured by nearly every index (Irish, 2016; U.S. Census Bureau, 2013). Certainly, funding levels present a challenge to all Arizona school districts and charter schools, regardless of their racial/ethnic composition. But the distribution of state, local and federal funds has important implications for schools with large Latino populations. Statewide, the percentage of state funding for school districts and charter schools has declined over the last 10 years while the percentage of funding from local sources has increased. From 2003-2004 to 2013-2014, the percentage of state funds for public schools decreased from 46.6 percent to 42.2 percent. Conversely, the percentage of public school funding from local sources increased from 38.3 percent of total funding to 42.2 percent during this same period. This shift amounts to an increase of $1.1 billion in local funding since 2003–2004, compared to a decrease of $464 million in state funding over this same time period.

In response to the shift from state to local funding sources, school districts face mounting pressure to pass local bonds and overrides in order to buffer state funding cuts. And, families are expected to pay more education-related costs directly.

Obviously, the ability of families to pay for education costs and for local school districts and charter schools to raise revenue are related to wealth. Latino families and communities face great challenges to make up for losses in state funding because a higher percentage of Latino adults and children live in poverty compared to non-Hispanic whites. For example, almost 40 percent of Hispanic young people in Arizona ages 17 years and younger live in poverty compared to 16 percent of their non-Hispanic white counterparts (see Figure 1.4). Ultimately, the shift from state to local sources results in greater funding inequities for Latino students.

How the report is organized

This report begins by assessing the student enrollment trends in charter schools and in Arizona’s most recognized public schools. The second chapter examines differences in public school expenditures by source: state, local and federal. The funding sources are separated because each one is derived from a different tax base and each one serves a different purpose at the school level. The third chapter focuses on bonds and overrides, the largest sources of local funding. Lastly, the final chapter shifts to public school tax credits, an expanding state program that encourages taxpayers to contribute directly to public schools.

The condition of Latino students in Arizona public education can be summarized by two key points:
- Latinos are the largest racial/ethnic group in Arizona public schools and growing [Figure 1.1]
- Latino students trail their white counterparts on all measures of student achievement [Figure 1.2 and 1.3]

The impact on Latino students

To examine the impact of state policies on Latino students, the data for school districts and charter schools are split into four groups based on the percentage of Latino student enrollment. The four groups include schools, districts and charter schools with student populations that are less than 25 percent Latino, 25–49 percent Latino, 50–74 percent Latino and those 75 percent or more Latino (the latter two groups referred to hereafter as majority Latino).

When the Arizona public education system is separated according to the distribution of the Latino student population, the challenges facing majority Latino schools become evident. Majority Latino schools enroll higher percentages of low-income students and English Language Learners, have lower levels of academic achievement and fewer local property wealth resources to draw upon than school districts and charter schools with lower proportions of Latino students. Lastly, more than one-third of schools with large Latino populations are charter schools, and most are located in urban areas compared to those with lower proportions of Latino students (see Figure 1.5).
Figure 1.3

Percentages of white and Hispanic Arizona high school graduates eligible for admission to Arizona universities (2014)

- **Latino**: 34.1%
- **White**: 54.7%
- **All**: 46.4%

Source: Arizona Board of Regents, 2015

Figure 1.4

Percentage of Arizona’s population in poverty, grouped by age and ethnicity/race (2011)

- **Hispanic**
  - 17 and younger: 38%
  - 18–64: 26%
- **White**
  - 17 and younger: 16%
  - 18–64: 13%
- **Black**
  - 17 and younger: 25%
  - 18–64: 22%

Source: Pew Research Center, Hispanic Trends, 2011
“Latino children represent the majority of Arizona’s K–12 education system and future workforce pipeline.

By focusing our collective resources, Arizona has the opportunity to lead the nation in Latino student success. By doing so, we will expand, attract and retain vital growth industries that transform Arizona into a high-skilled, knowledge-based economy that benefits all Arizonans.”

Paul J. Luna
President and CEO
Helios Education Foundation
“The State of Arizona Latino Report provides the working data Arizona needs to address an important policy issue facing our state – the chronic funding disparities that remain perplexing and unacceptable, particularly for our Latino students. Let’s not just acknowledge this, let’s fix it!”

Dick Foreman
President and CEO
Arizona Business & Education Coalition
Figure 1.5

Key statistics for Arizona school districts and charter schools, grouped by percentage Latino enrollment

<table>
<thead>
<tr>
<th>Percentage Latino Enrollment</th>
<th>Free and reduced lunch</th>
<th>AIMS passage rates</th>
<th>English language learners</th>
<th>Urban percent of total</th>
<th>Charter schools percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–24%</td>
<td>70%</td>
<td>60.2%</td>
<td>27.2%</td>
<td>1.7%</td>
<td>16.2%</td>
</tr>
<tr>
<td>25–49%</td>
<td>42.9%</td>
<td>51.3%</td>
<td>3.4%</td>
<td>57%</td>
<td>6.2%</td>
</tr>
<tr>
<td>50–74%</td>
<td>73.6%</td>
<td>34.4%</td>
<td>8.2%</td>
<td>39.4%</td>
<td>37.8%</td>
</tr>
<tr>
<td>75–100%</td>
<td>85.3%</td>
<td>77.1%</td>
<td>39.4%</td>
<td>73.5%</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Arizona Department of Education, Percentage of Children Approved for Free or Reduced-Price Lunches for School Year 2014; Arizona Department of Education, Research and Evaluation: Assessment Results: 2014 (data transformed by authors); Arizona Department of Education, Research and Evaluation: October 1 Enrollment Figures: 2014; Data compiled by authors.
“In Yuma, our students aspire to be leaders in the state and nation. Yet, our schools are working within an inequitable funding system, as clearly demonstrated in the data.

We must develop a vision for Arizona that is inclusive, not exclusive. Every child deserves our investment.”

Toni Badone  
Superintendent  
Yuma Union High School District
“Education is the weapon to overcome poverty. Meaningful investment in the K–12 public education system is the defined manner to improve the lives of children and families who seek the American dream.”

Cam Juarez
District Governing Board Member
Tucson Unified School
Latino Student Enrollment Trends
**Figure 2.1**

Comparison of percentages of students by race/ethnicity in district, charter and all Arizona schools*

![Pie charts showing student distribution by race/ethnicity in different school types.](image)

*Numbers may not add to 100 percent due to rounding.
Source: Arizona Department of Education, Research and Evaluation: October 1 Enrollment Figures, 2014

**Figure 2.2**

Distribution of Latino and white student enrollment by school type and Latino quartile

![Bar chart showing distribution of Latino and white students by school type and quartile.](image)

Source: Arizona Department of Education, Research and Evaluation: October 1 Enrollment Figures, 2014
Latino student enrollment trends

Over the past 20 years, Arizona has created an education marketplace in an effort to improve academic outcomes for all students. The state has encouraged parent-consumers to “vote with their feet” by expanding school choice options, i.e., charter schools, and publishing school performance evaluations using the letter grades, A through F.

In 1994, Arizona policymakers instituted charter schools, which are public schools that operate independently of a traditional school district. Charter schools have more autonomy than district schools in areas such as curriculum, school governance and reporting requirements. In exchange, charter schools are directly beholden to parents who make school enrollment decisions and to the state via school accountability laws. During the 2013–2014 school year, Arizona public schools enrolled nearly 1.1 million students, 14 percent of whom were enrolled in charter schools.

Latino students are under-represented in charter schools. Statewide, 44 percent of traditional public school students are Latino and 41 percent are white. By comparison, 36 percent of charter school students are Latino and 47 percent are white (see Figure 2.1).

Latino charter school students attend less segregated schools. Thirty-three percent of Latino charter school students, attend a school with a high percentage (75 percent or more) of Latino students compared with 41 percent of Latino district school students. Similarly, 20 percent of Latino charter school students attend a low (less than 25 percent) Latino enrollment school, compared with only 11 percent of Latino students at district schools (see Figure 2.2).

Conversely, white students who enroll in charter schools are much more likely to attend a low Latino enrollment school (higher percentage of white students) than white students enrolled in district schools. Fifty-three percent of white district school students attend a low Latino enrollment school compared to 71 percent of white charter school students. At the other end of the spectrum, 3 percent of white district school students attend a school with majority Latino enrollment, compared with only 1 percent of white charter school students.

These results suggest that, while Latino families choose to move from more segregated district schools to less segregated charter schools, white families choose to move from less segregated traditional public schools to more segregated charter schools.

Advocates argue that charter schools are better able to meet the needs of students by removing many of the bureaucratic constraints placed on traditional public schools. Charter schools do not have attendance boundaries, so their enrollment numbers, as well as funding, are dependent on the deliberate choices of parents to send their children to these schools.

Latino students are over-represented in alternative charter schools. Alternative schools serve students who have a history of behavior issues, have previously dropped out, or have fallen significantly behind on credits, among other criteria. Statewide, 22 percent of Latino charter school students attended an alternative school, compared with only 6 percent of white charter school students (see Figure 2.3). Of the nearly 20,000 students who are enrolled in alternative charter schools, 62 percent are Latino.

Latino students who enroll in charter schools are more likely than their traditional public school peers to be in an A-rated school. Statewide, 38 percent of Latino charter school students were enrolled in an A-rated school, compared to 20 percent of Latino district school students. Similarly, 66 percent of white charter school students were enrolled in an A-rated school, compared to 51 percent of white students in traditional public schools.

Interestingly, both white and Latino students are just as likely to attend a D- or F-rated institution, whether they attend a district or charter school. For example, 6 percent of both Latino district and charter school students attend a D-rated school (see Figure 2.4).

For the purpose of the A–F letter grade accountability system, Arizona classifies schools as: Traditional, Alternative, Small, K–2 or Online. See azed.gov/accountability/state-accountability for a definition of alternative schools.

Latino students are underrepresented in Arizona’s nationally recognized high schools. In addition to state ratings, national organizations also rate Arizona
public schools. The U.S. News & World Report rankings for America’s best high schools supplies one such national score. The U.S. News & World Report ratings are based primarily on adjusted state assessment scores and college credit exams like Advanced Placement tests. Latino students are underrepresented in Arizona’s nationally ranked high schools.

The average Arizona high school enrolls 43 percent Latino students and 38 percent white students. Among nationally recognized district high schools, the average Latino enrollment drops to 28 percent, while whites constitute 57 percent. The differences are even more pronounced among nationally recognized charter high schools, where the average Latino enrollment is 18 percent (see Figure 2.5).

**Policy implications**

Based on recent legislative efforts, Arizona policymakers will likely continue to foster an education marketplace by encouraging the expansion of alternatives to traditional district schools and employing school ratings to inform parents’ school choices. Therefore, sustained public attention to Latino student enrollment trends across all types of schools is called for, along with continued efforts to educate Latino parents about school options.

The Arizona Department of Education rates schools on a scale of A through F based on a combination of students’ test scores and students’ academic growth. Although this system is not a perfect measure of school quality, it offers a useful tool for assessing how schools are serving students. Changes in the state testing program have led to a suspension of the letter grades for 2015.

The 2015 list of Arizona’s Nationally Recognized High Schools, along with a detailed explanation of the ratings, can be found on the U.S. News & World Report website: usnews.com/education/best-high-schools.

**Figure 2.3**

*Distribution of Latino and white students by charter school type (2014)*

<table>
<thead>
<tr>
<th>Type</th>
<th>Latino students</th>
<th>White students</th>
<th>All charter students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>78%</td>
<td>94%</td>
<td>86%</td>
</tr>
<tr>
<td>Alternative</td>
<td>22%</td>
<td>6%</td>
<td>13%</td>
</tr>
<tr>
<td>Small</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
</tr>
<tr>
<td>K-2</td>
<td>0.1%</td>
<td>0.4%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

“Latino students are choosing alternative schools in greater numbers, and we should ask ourselves why.

What needs are being met in alternative settings that enable Latino students to successfully remain engaged when they might have otherwise disengaged?

What is driving the demand? By design, alternative programs acknowledge the reality that one size does not fit all, and they tailor programs to meet individual student needs. Many young people in alternative schools have encountered barriers which have created – or have the potential to create – significant disruptions in their education. As advocates for Latino students, we must support practices, whether traditional or alternative, that create opportunities for success and build on those practices.”

Michele Kaye
CFO, The Leona Group
“Arizonans should be proud of the school-choice movement. All student populations, however, should have the opportunity to benefit from our best charter schools.

Increasing the diversity of highly achieving charter schools benefits the entire student body and, ultimately, the future of our great state.”

Javier Cárdenas, M.D.
Director, Barrow Concussion & Brain Injury Center
Governing Board Member, Arizona School for the Arts
Figure 2.4

Percentage of Latino versus white students enrolled in district and charter schools, grouped by letter grade

<table>
<thead>
<tr>
<th>Grade</th>
<th>Latino Students</th>
<th>White Students</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td>B</td>
<td>35%</td>
<td>23%</td>
</tr>
<tr>
<td>C</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>D</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>E</td>
<td>2%</td>
<td>0%</td>
</tr>
</tbody>
</table>


Figure 2.5

Average percentage of Latino and white enrollment for all and nationally recognized Arizona high schools (2015)

<table>
<thead>
<tr>
<th>Type</th>
<th>Latino Students</th>
<th>White Students</th>
<th>Nationally Recognized</th>
</tr>
</thead>
<tbody>
<tr>
<td>All high schools</td>
<td>43%</td>
<td>38%</td>
<td>67%</td>
</tr>
<tr>
<td>Traditional public</td>
<td>28%</td>
<td>35%</td>
<td>57%</td>
</tr>
<tr>
<td>Charter</td>
<td>18%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Chapter 2
Sources of School Funding
Figure 3.1
Per-pupil funding for Arizona schools by source and Latino enrollment (2014)

Source: Arizona Department of Education, Superintendent’s Annual Report for Fiscal Year 2013-2014

Figure 3.2
Percentage of total school funding in Arizona by source and Latino enrollment (2014)

Source: Arizona Department of Education, Superintendent’s Annual Report for Fiscal Year 2013-2014
Sources of school funding

Public school funding comes from three major sources: local, state and federal monies. Local sources include contributions from property taxes, bonds, overrides, and tax-deductible donations from individuals, families and businesses. State funds are typically derived from income and sales taxes, fees and other taxes. State and local funds are the largest public school funding sources. Federal sources include funding from the U.S. Department of Education, the U.S. Department of Health and Human Services and the Department of Agriculture, often through a particular grant or program.

The funding for Arizona public schools is based on an equalization concept. With respect to taxation, equalization means that school districts with higher property values contribute more to the funding of their schools through local sources (property taxes) than school districts with lower property values. School districts with lower property values, however, receive more in-state funds than school districts with higher property values.

The amount of funding that school districts and charter schools receive is based on an equalization formula. School districts and charter schools receive the same amount of funds for every public school student. Some extra funds, called weights, are provided for students with more costly instructional needs, such as special education students and English-language learners. In Arizona’s equalization formula, students are not funded according to poverty levels.

One can see Arizona’s equalization concept for school funding at work in the patterns for school districts and charter schools with high Latino enrollment (75 percent and above). Due to lower property values (a topic that is addressed in the next chapter), districts and charter schools with high Latino enrollments receive more in-state funds and less in local funds.

School district budgets, which set the amount that school districts can spend to educate students, are the result of a complex state formula and local allocation decisions made at the level of the individual school district or charter holder. To learn the details of Arizona’s school funding formula, go to azed.gov/finance/files/2011/12/equalization-formula-funding.pdf.

In general, school districts and charter schools with high Latino enrollment receive the most in state funds. These school districts and charter schools receive $4,222 per pupil in state funds compared with the $3,988 per pupil in school districts and charter schools with low Latino enrollment (less than 25 percent) (see Figure 3.1).

School districts and charter schools with high Latino enrollment receive the least from local sources compared to other districts. The schools with 75 percent or more Latino enrollment receive $3,060 per student from local sources, the lowest per-student amount among the groups of schools classified by percent Latino enrollment. The school districts and charter schools in the groups with lower Latino enrollment receive closer to $4,000 per student from local sources.

Districts and charter schools with high Latino enrollment receive the least from state and local sources combined. For the 2013–2014 school year, the districts with the highest (75 percent or more) Latino enrollment received $7,565 per pupil in state and local funds, compared with $7,955 for districts and charter schools with low Latino enrollment. The local funding amounts in this section include funds that school districts generate both with and outside of the state equalization formula. The spending inequity between school districts and charter schools with differing percentages of Latino enrollment largely results from local funds that are generated outside the state equalization formula. The next section focuses specifically on school district bonds and overrides, which are school-district specific funds that are generated outside the equalization formula through local property taxes.

All residences and businesses statewide are taxed according to the Qualifying Tax Rate (QTR). If the amount of local taxes generated through the QTR is not enough to cover the school district budget, the remainder is funded through the state general fund. If the amount of local taxes generated through the qualifying tax rate is sufficient to cover the school district budget, the district does not receive additional state funds.

Charter schools are largely supported by state funds. In fiscal year 2014, more than 84 percent of the budget for Arizona charter schools came from state funds. Charter schools are unable to leverage local bonds and overrides. Also, charter schools receive additional state aid in lieu of transportation and capital funds.
“Local communities cannot rely on state funding alone for quality public schools. Arizonans should make sure that public schools are their priority.

Arizona’s schools and students are now depending on local voters and families to step up and provide much needed support.”

Jesus Rubalcava
Palo Verde ESD special education teacher
Gila Bend USD Governing Board
Federal funds

Unlike state and local funding, federal funds are distributed according to student poverty levels. Title I, the largest federal program, is intended to provide supplementary funds to help low-income students meet state standards. Title I funds are targeted to “high poverty” schools, that is, the schools with more students who are eligible for the federal free/reduced lunch program.

Policy implications

Arizona generates and distributes funding according to the concept of equalization. For school districts with high Latino enrollment, equalization means that a lower proportion of funding comes from local sources (property taxes) compared to districts with lower Latino enrollment. In 2014, school districts with high Latino enrollment received less in local funds because the taxes generated from local property taxes were less than for other school districts. Conversely, equalization means that school districts with high Latino enrollment receive more in state funds than other school districts.

However, when state and local funding amounts are combined, school districts with high Latino enrollment receive less overall per student than other school districts. The largest inequities arise from discrepancies in state funding amounts. Unfortunately, in districts with large percentages of Latino students, low property values and higher rates of poverty are formidable obstacles to generating local funding to offset state funding cuts.

A note on funding for rural schools

The aforementioned patterns are more pronounced in Arizona’s rural schools. The school districts and charter schools in rural areas with the highest percentage of Latino enrollment receive only $2,120 per student from local sources, the lowest amount among the school districts grouped by Latino enrollment. In urban areas, the school districts and charter schools with the highest percentages of Latino students receive $3,365 from local sources, a difference of $1,245 per pupil.

The federal government is also a major funding source for Arizona’s rural communities. The school districts and charter schools with low Latino enrollment receive $2,100 per student in federal funds, more than any other quartile group (see Figure 3.3).

Over the past 10 years in Arizona, policymakers have shifted more of the responsibility for school funding from state to local sources. Latino families and communities now shoulder a greater burden to fund their schools through local bonds and overrides and through programs such as public school tax credits. Unfortunately, in districts with large percentages of Latino students, low property values and higher rates of poverty are formidable obstacles to generating local funding to offset state funding cuts.

School districts and charter schools were defined as urban if located in Arizona’s most populous counties (Maricopa and Pima). School districts and charter schools in the remaining counties were coded as rural.
Cuts in state funding for districts and charter schools affect the availability of programs such as full-day kindergarten, career and technical education, and teacher compensation. Districts have to rely on local funding outside of the equalization formula to provide these programs, as well as to lower class size. The shift away from state funding to local sources may differentially impact school districts and charter schools that do not have the capacity to raise local funds, particularly in those school districts with high percentages of Latino students, which generally have low property values.

Figure 3.3
Comparison of per-pupil funding ($) in urban and rural schools in Arizona by source and Latino enrollment (2014)

Source: Arizona Department of Education, Superintendent’s Annual Report for Fiscal Year 2013-2014
“This report shines a light on the inequities faced by our kids in our public education system, and confirms our suspicions of inequity with facts.

This report takes the critical first step to identify the inequities that exist and the structural reasons for them. A larger effort to later cure these inequities can never be started without this first step.”

Martín J. Quezada
State Senator, Legislative District 29
Democratic Whip
Chapter 3

Bonds and Overrides
Figure 4.1
Total secondary assessed property value in three types of school districts, grouped by Latino enrollment (2014)

Source: Arizona Department of Education, Superintendent’s Annual Report for Fiscal Year 2013-2014

Figure 4.2
Percentage of Arizona school districts, grouped by Latino enrollment, that proposed an override from 2004–2014

Source: Arizona County Recorders’ Offices, Election Results, 2004 through 2014; data compiled by the authors

Figure 4.3
Average number of bonds and overrides proposed in Arizona school districts, grouped by Latino enrollment, 2004–2014

Source: Arizona County Recorders’ Offices, Election Results, 2004 through 2014; data compiled by the authors
Bonds and overrides

Bonds and overrides are a significant local funding source for school districts. Bonds and overrides must be approved by a majority of school district voters in an election. Districts commonly propose overrides to provide programs, such as full-day kindergarten, and to lower class sizes. Bonds are issued for specific capital projects, such as building new schools.

When voters in a school district pass bonds and overrides, they are approving an increase in the local tax rate on property located within the school district boundary to finance the proposed projects or programs.

**School districts with high Latino enrollment (75 percent and above) have less property value wealth than other school districts.** Property value is the value placed on individual residential and commercial properties for tax purposes. Assessed valuation is the property value multiplied by the assessment ratio for the type of property, and is the amount to which the tax rate is applied. Commercial property has a higher assessment ratio than residential property, and therefore its assessed valuation is higher than that for a residential property of the same value. Property value is a key factor in how much money can be generated to fund local bonds and overrides. Given the same tax rate, properties with higher assessed valuation yield more funds than properties with lower assessed valuation.

To compare property values accurately, one must take into account the type of school district. Union high school districts, for example, typically cover larger areas than elementary school districts and have higher assessed valuations. In 2014, the per-pupil property tax value for elementary school districts with low Latino enrollment (less than 25 percent) was $102,808, and $88,216 for unified (K–12) districts with low Latino enrollment.

The majority of overrides are for 5–15 percent increases in school district maintenance and operation budgets and last for seven years (five years plus a two-year phaseout). The maximum length and amount of school district overrides are determined by state law. Also, it is important to note that voters approve the school district’s authority to issue bonds. School districts must sell bonds to investors. It is possible that school districts get the authority to issue bonds and then not sell them to investors.

For the same year, the per-pupil property tax value for elementary school districts with high Latino enrollment was $38,414 per pupil and $25,282 per pupil for unified (K–12) school districts with high Latino enrollment.

The lower property values mean that the residents of school districts with high Latino enrollment must tax themselves at higher rates to raise the same funding through local bonds and overrides as districts with lower Latino enrollment (see Figure 4.1).

**Fewer school districts with high Latino enrollment propose bonds and overrides than other school districts.** The proposed bonds and overrides supplement state funding. From 2004 through 2014, 67.6 percent of the school districts with high Latino enrollment proposed a bond or override compared with 80.8 percent of districts with low Latino enrollment that proposed a bond or override during the same time period (see Figure 4.2).

Most school districts proposed multiple bonds and overrides to generate local funding during the 10-year period 2004–2014. This suggests that bonds and overrides are not used to fill one-time needs. From 2004 through 2014, those school districts that went out for an election proposed an average of approximately four overrides. The number of bonds and overrides proposed was generally consistent across all school districts (see Figure 4.3).

**School districts with high Latino enrollment pass bonds and overrides at higher rates than other districts.** From 2004 through 2014, districts with high Latino enrollment passed 72.8 percent of their proposed overrides and 96.2 percent of their proposed bonds. In contrast, districts with low Latino enrollment passed 68 percent of their proposed overrides and 84.1 percent of their bonds over the same period (see Figure 4.4).

In general, the residents of school districts with high Latino enrollment have higher secondary property tax rates. From 2004 through 2014, the secondary property tax rates in school districts with majority (50 percent or more) Latino enrollment were generally higher than the secondary property tax rates in school districts with low Latino enrollment. For example, the average secondary property tax rate for elementary school districts with high Latino enrollment was 1.784, compared with the average secondary property tax rate of 0.321 for elementary school districts with low Latino enrollment (see Figure 4.5).
Figure 4.4
Average bond and override passage rates for Arizona school districts, grouped by percent Latino enrollment for 2004–2014

Source: Arizona County Recorders' Offices, Election Results, 2004 through 2014; data compiled by the authors

Figure 4.5
Average secondary property tax rates for three types of school districts, grouped by percentage of Latino enrollment

Source: Arizona Department of Education, Superintendent's Annual Report for Fiscal Year 2013-2014
“We face many challenges when asking for school tax credits from our families. Over 90 percent of our schools’ students qualify for the free or reduced lunch program.

Our families are living with little-to-no discretionary income, and from paycheck to paycheck. Asking parents to donate $400 to help fund field trips or extracurricular activities is asking them to default on their rent or electricity bill, or forego weekly groceries.”

Marci Higuera Koke  
Principal, I.G. Conchos Elementary  
Roosevelt School District
<table>
<thead>
<tr>
<th>School district type</th>
<th>Secondary assessed valuation per pupil</th>
<th>Average secondary tax rate</th>
<th>Average secondary yield per pupil</th>
<th>Effort compared with lowest Latino enrollment districts</th>
<th>Yield compared with lowest Latino enrollment districts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Elementary</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0–24%</td>
<td>$102,808.80</td>
<td>0.321</td>
<td>$329.86</td>
<td>Reference group</td>
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<tr>
<td>25–49%</td>
<td>$92,005.42</td>
<td>0.667</td>
<td>$613.52</td>
<td>2.08</td>
<td>1.86</td>
</tr>
<tr>
<td>50–74%</td>
<td>$62,317.30</td>
<td>1.852</td>
<td>$1,153.82</td>
<td>5.77</td>
<td>3.50</td>
</tr>
<tr>
<td>75–100%</td>
<td>$38,414.05</td>
<td>1.784</td>
<td>$685.35</td>
<td>5.56</td>
<td>2.08</td>
</tr>
<tr>
<td><strong>Unified (K–12)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0–24%</td>
<td>$88,216.25</td>
<td>1.301</td>
<td>$1,147.44</td>
<td>Reference group</td>
<td></td>
</tr>
<tr>
<td>25–49%</td>
<td>$57,302.87</td>
<td>1.531</td>
<td>$877.17</td>
<td>1.18</td>
<td>0.76</td>
</tr>
<tr>
<td>50–74%</td>
<td>$66,551.56</td>
<td>0.915</td>
<td>$509.04</td>
<td>0.70</td>
<td>0.53</td>
</tr>
<tr>
<td>75–100%</td>
<td>$25,282.40</td>
<td>2.190</td>
<td>$555.85</td>
<td>1.69</td>
<td>0.48</td>
</tr>
<tr>
<td><strong>Union High School</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0–24%</td>
<td>No districts</td>
<td></td>
<td></td>
<td>Reference group</td>
<td></td>
</tr>
<tr>
<td>25–49%</td>
<td>$183,209.47</td>
<td>0.743</td>
<td>$1,360.33</td>
<td>Reference group</td>
<td></td>
</tr>
<tr>
<td>50–74%</td>
<td>$95,519.65</td>
<td>1.332</td>
<td>$1,271.94</td>
<td>1.79</td>
<td>0.94</td>
</tr>
<tr>
<td>75–100%</td>
<td>$142,757.75</td>
<td>0.998</td>
<td>$1,425.04</td>
<td>1.34</td>
<td>1.05</td>
</tr>
</tbody>
</table>

Source: Arizona Department of Education, Superintendent’s Annual Report for Fiscal Year 2013-2014
In general, the average property value in school districts with high Latino enrollment is less than in school districts with low Latino enrollment. Yet, the residents of school districts with high Latino enrollment tax themselves at higher rates that yield relatively fewer resources than the residents of school districts with low Latino enrollment. There is a relationship between property values, tax rates and yield (the amount of money generated by a tax). In general, school districts with higher property values can set lower tax rates that will yield the same amount of money as a school district that has lower property values. If a school district with high property values and one with low property values set the same tax rate, the school district with higher property values will generate more resources.

Table 4.1 compares the secondary assessed valuation per pupil, the average secondary property tax and yield for three types of school districts – elementary, unified (K–12) and union high school – grouped by percentage of Latino enrollment. The last two columns indicate the districts’ tax effort and the tax yield compared to the districts with the lowest Latino enrollment.

The data indicate that the average per-pupil property value for school districts with high Latino enrollment is 38 percent of the average per-pupil property value for school districts with low Latino enrollment. The average secondary tax rate in elementary school districts with high Latino enrollment is 5.56 times higher than the average secondary tax rate in elementary school districts with low Latino enrollment. As a result, the average tax yield for high Latino enrollment elementary school districts is 2.08 times more than elementary school districts with low Latino enrollment. In other words, compared with elementary school districts with low Latino enrollment, those with high Latino enrollment tax themselves more than five times as much in order to yield just two times the resources.

Policy implications

The bond and override data illustrate the high level of commitment among Latino communities to support their local schools. School districts with high Latino enrollment have less property value than other districts and put forth fewer bonds and overrides. However, for those districts that did put forth bonds or overrides, their requests are met with higher rates of approval, as well as the approval for relatively high local property tax rates. Yet, these efforts are not enough to erase funding inequities that arise from an increased reliance on local funding sources.

Bonds and overrides are levied via a tax on the secondary property tax. The primary tax is used to fund schools through the state equalization formula and for special arrangements such as court-mandated requirements or agreements with the Office of Civil Rights.

For unified (K–12) school districts, the per-pupil property tax value for districts with high Latino enrollment was only 28 percent of the per-pupil property tax value for unified school districts with low Latino enrollment. Unified (K–12) school districts with high Latino enrollment tax themselves 1.69 times more than unified school districts with low Latino enrollment, but the average tax yield is 0.48, or roughly half the amount for unified school districts with low Latino enrollment.

For the fiscal year 2014, properties had two values, a primary (limited) value and a secondary (full cash) value. Primary property taxes were applied to the primary value, and secondary property taxes to the secondary value. Beginning with fiscal year 2015–2016, both primary and secondary tax rates are applied to a single, limited property value. Most properties are valued by the county assessor, but some properties (such as mines and utilities) are valued by the state.
“As a Hispanic mother, I know the value that my community places on education.

We work hard for local bond and override campaigns because we know that our schools need more funding in order to provide a high-quality education. We’re willing to pay more for our children’s futures.”

Maria Luisa Cruz Galan
Parent leader
Stand for Children – Arizona
“Schools must have solvent funding so that our students have the experiences and opportunities to ‘equalize the playing field’ for all, regardless of zip code.

Currently, we must juggle district, federal, state and grant funding every year to meet our students’ core academic needs.”

Joe Gutierrez
Principal, Killip Elementary School
Flagstaff, Arizona
SoLA16
Chapter 4

Public School Tax Credits
Figure 5.1

Tax credit expenditures for Arizona schools, grouped by activity (2013)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percent of total spent</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athletic and sports programs</td>
<td>28%</td>
<td>$13,715,249.49</td>
</tr>
<tr>
<td>Field trips</td>
<td>19%</td>
<td>$9,613,643.23</td>
</tr>
<tr>
<td>Fine and performing arts</td>
<td>17%</td>
<td>$8,436,035.99</td>
</tr>
<tr>
<td>Other clubs</td>
<td>14%</td>
<td>$6,931,818.07</td>
</tr>
<tr>
<td>Extended day and summer programs</td>
<td>10%</td>
<td>$4,828,721.30</td>
</tr>
</tbody>
</table>

Source: Arizona Department of Revenue, School Tax Credit Info
Public school tax credits

In recent years, Arizona legislators have advocated for policies that give taxpayers more control over where and how their tax dollars are spent. One of the most popular policies is the public school tax credit. Since 1997, Arizona taxpayers have been able to use the public school tax credit to donate a portion of their income to any public school, district or charter, and claim a credit on their state income taxes. These donations must be used to fund extracurricular activities that require students to pay a fee, such as for athletic equipment, band activities and science labs.

Public school tax credits are another example of how funds are shifted from state to local sources. In this case, the local sources are individuals and families. All Arizona taxpayers are eligible to donate a public school tax credit. Most often, however, it is people with school-aged children — namely parents — who take advantage of the public school tax credit.

Schools have come to rely on tax credits to provide quality extracurricular programs. Commonly, schools encourage families to cover the cost of extracurricular activities for their students through public school tax credits.

The number and total amount of tax credit contributions are growing. In 2005, there were roughly 215,000 contributions, totaling just under $35.5 million in tax credits. By 2013, that number had grown to 254,000 contributions and just under $51 million. One can only expect this trend to continue. Every year, the expansion of public school tax credits is a popular policy option among legislators. In 2015, for example, the legislature extended the deadline to submit a public school tax credit from December 31 to April 15 to encourage more donations.

Schools with high Latino enrollment received the least amount in tax credits compared with other types of schools, and the gap is growing. In 2005, students in schools with high Latino enrollment (greater than 75 percent) received an average of only $11.61 per student in tax credit donations, while schools with low Latino enrollment (less than 25 percent) received an average of $64.09 per student, a difference of $52.48 per pupil.

By 2013, the average tax credit donation to schools with high Latino enrollment increased slightly to $12.65 per pupil, an increase of $1.04 per pupil. In contrast, the average per-pupil donation to schools with low Latino enrollment was $87.09, an increase of $23.00 per pupil. The difference between schools with high Latino enrollment and those with low Latino enrollment was $74.44 less per pupil on average for the schools with high Latino enrollment (see Figure 5.2).

The differences in tax credit donations can amount to substantial inequities between schools. For example, for the case of a typical school with 500 students, a school with high Latino enrollment would receive $37,220 less than a school with low Latino enrollment (see Figure 5.3). This is disconcerting, given that nearly nine out of 10 students in schools with high Latino enrollment are eligible for a federal free/reduced lunch, a national standard for poverty.

Most Latino students are enrolled in schools that received the lowest average per-pupil tax credit donations. Two-thirds (66 percent) of all Latino students are concentrated in majority Latino schools (more than 50 percent Latino enrollment). Majority Latino schools receive an average of $19.62 per pupil in tax credit contributions. Conversely, 88 percent of white students are enrolled in schools that receive the most in per-pupil tax credit contributions ($71.53) (see Figure 5.4).

Public school tax credits are largely used to pay for fees associated with athletic and sports programs (28 percent), field trips (19 percent), fine and performing arts (17 percent), other clubs (14 percent) and extended day and summer programs (10 percent) (see Figure 5.1).

How tax credits work: The most recent version of the law limits tax credit donations to $200 for individual filers and $400 for those who file jointly. The public school tax credit allows taxpayers to reduce the amount of tax liability to the state. For example, if a taxpayer donated the $200 maximum, their Arizona tax bill would be $200 less.

The analyses in this section were conducted at the school level because tax credits are commonly donated to schools, and the Arizona Department of Revenue reports tax credit amounts at the school level.

Families and friends are able to pay for extracurricular activities for student(s) and receive a tax benefit. For example, tax credits enable families to enroll student(s) in after-school programs, such as chess clubs and sports activities, or to participate in field trips.
“Federal funds are critical to student success. This supplemental federal funding helps us close the opportunity gap for our neediest students by providing them with options to attend an extended day or summer school program, receive tutoring from a reading specialist and/or simply get a well-balanced meal, so they can focus on their studies.”

Dr. Lupita Ley Hightower
Superintendent
Tolleson Elementary School District
Figure 5.2
Increase in average per-pupil tax credit donation from 2005–2013 for schools, grouped by percentage of Latino enrollment

![Bar chart showing the increase in average per-pupil tax credit donation for schools grouped by percentage of Latino enrollment.](chart.png)

Source: Arizona Department of Revenue, School Tax Credit Info

Figure 5.3
Estimated total tax credit donations for sample 500-student school, low and high Latino enrollment

![Bar chart showing estimated total tax credit donations for schools with low and high Latino enrollment.](chart.png)

Source: Arizona Department of Revenue, School Tax Credit Info

Figure 5.4
Average per-pupil tax credit donations statistics for majority and minority Latino schools (2013)

![Circle chart showing average per-pupil tax credit donations for majority and minority Latino schools.](chart.png)

Source: Arizona Department of Revenue, School Tax Credit Info

$19.62 is the average per-pupil tax credit donation for majority Latino enrollment schools.

$71.53 is the average per-pupil tax credit donation for minority Latino enrollment schools.

$19.62 is the average per-pupil tax credit donation for majority Latino enrollment schools.

$71.53 is the average per-pupil tax credit donation for minority Latino enrollment schools.
“Students living in poverty face many challenges that people often overlook. Low-income parents are concerned with life’s struggles, like putting food on the table. It’s a matter of priorities: physical needs come before educational aspirations, placing low-income students at a disadvantage compared to their more affluent peers.”

Christine Porter Marsh
2016 Arizona Teacher of the Year
Advanced Placement English III and IV
Chaparral High School
Scottsdale UHSD
Policy implications

The inequities in public school tax credit donations mean that many Latino students, most attending schools in high poverty areas, may have limited access to high-quality extracurricular activities that enhance their educational experiences. These inequities have led to the criticism that public school tax credits disproportionately benefit those who have the financial resources to make a contribution to their child’s school.

Supporters argue that public school tax credits offer tangible benefits to students, taxpayers and schools. For instance, when families cannot afford to pay fees associated with extracurricular activities, the public school tax credit allows parents and their communities to pool financial resources at no cost (provided they have the necessary financial resources upfront). Additionally, when parents have incentives to cover the costs associated with after-school activities, the burden of funding these activities shifts away from schools. Critics charge that tax credits result in a loss of revenue to the State of Arizona’s general fund.

Recently, efforts are being made to advertise public school tax credits to encourage taxpayers to contribute to underfunded schools and districts. For example, the City of Phoenix operates a website with a listing of the school districts within the city limits and the per-pupil amount each district receives via public school tax credits. The website intends to stimulate taxpayers to contribute to those districts most in need. At the time of publication, no data were available to assess the extent to which this effort has helped to equalize funding. See phoenix.gov/education/school-tax-credit.
This report highlights funding inequities in an effort to spark community conversations about school funding and to encourage those invested in the welfare of Latino students to participate in future efforts to shape Arizona’s school funding system.
The academic success of the K–12 Latino student population will be pivotal to the long-term prospects of both Arizona public education and the state in general. The size and growth of the Latino student population have generated many efforts to understand and improve the academic achievement outcomes of Latino students. These efforts are important because Latinos, as a student population, are distinct and face unique challenges.

One of those challenges is how our current school funding system impacts high-percentage Latino schools and communities. Over the past decade, the general legislative trend is toward less state-level funding, coupled with greater reliance on local sources such as bonds, overrides and school tax credits. District and charter schools with high percentages of Latino enrollment, however, generally serve student populations with the highest poverty rates and greatest educational needs. And local funding is the most inequitable revenue source in Arizona’s school funding system, meaning that these relatively low-income communities and school districts are faced with filling growing funding gaps with fewer resources than other communities.

The State of Latino Arizona 2016 highlights these funding inequities in an effort to spark community conversations about school funding and to encourage those invested in the welfare of Latino students to participate in future efforts to shape Arizona’s school funding system.

The topic of school finance can be complex. For this reason, the results in this report are presented in a conversational style with quotes from education leaders to bring these results to life. The aspiration of all those involved in the report is to equip stakeholders with the basic information to be part of the conversation.
Credits and acknowledgments

This report would not have been possible without the generous support of many people. Thank you to all who participated, whether it was writing, reviewing, editing, reading, designing, contributing ideas, taking part in discussions and planning or lending a quote and a photo; your time is truly appreciated.

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