



February 11, 2022

Dear Sahuarita Staff and Families:

I imagine that perhaps you have turned on your television in recent days and heard about the possible school funding cliff in Arizona, associated with the Aggregate Expenditure Limit (AEL). On top of the uncertainty, change, and general challenges that have defined the last two years, none of us wants to create any further unnecessary disruptions. Therefore, in the interest of communicating clarity, I would like to tackle a few basic points about this issue, share some facts, and convey a message about District priorities.

What is the Aggregate Expenditure Limit (AEL)?

This little known provision, known as the Aggregate Expenditure Limit (AEL), was added to the Arizona Constitution in the national fallout from California's Proposition 13 tax initiative of 1978. Over forty (40) years ago, in 1980, Arizona voters approved an expenditure limit that restricts how much K-12 school districts in Arizona can spend. The only allowable adjustments are for inflation and growth. The limit was previously exceeded and overridden by the Legislature in 1986 and 2001.

Why is it an issue now?

Think about how much the world has changed in the last forty (40) years, or even twenty (20) years. Similarly, think about just the last two or three years in our State and community. First, although we are a growing community, last year our enrollment numbers decreased, much like many communities and districts across the State. This lowers the growth piece of the AEL formula and decreases that limit. Second, Proposition 301, a voter approved sales tax to support education, was authorized in November of 2000. Although the amount fluctuates from year to year, this funding stream provides approximately \$600,000,000 each year to Arizona's schools. This provides critical funding to address professional teacher recruitment, compensation, and retention. It was voter protected, and exempt from this threshold limit until it recently expired from its twenty (20) year authorization. Thankfully, the Legislature did renew it. However, it is no longer voter protected, and those same sales tax generated funds now go into the calculation of the AEL, thus the same dollars are now contributing to this limit.

The Legislature is authorized and has overridden this limit on previous occasions, specifically in 1986 and again in 2001. It is important to stress that this is not overspending or asking for additional dollars. This is basic school funding in the current State budget, already authorized by the Legislature, and signed by the Governor for use in the current year. The budget capacity is already in place and, in fact, the majority of the fiscal year is already over. We only have about 1/3 of the school year left. However, if not overridden by the Legislature by March 1, 2022, then

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public school districts must reduce their current year operating budgets by 16%. **For SUSD#30, that means a current year cut of almost \$6,500,000.** Over 85% of the District operating budget is dedicated to the professional staff members who deliver our comprehensive education mission and services.

Why is this so important?

It is important because education matters, and public education is the largest and most effective tool in advancing individual opportunity, economic development, workforce development, quality of life, and our general ideals of freedom, opportunity, and the American Dream. Our State has made meaningful progress in recent years to address cuts from the Great Recession and to help elevate our State's investment in public education. As we are all aware, the greatest resource that any organization has is the people. We currently operate in an era of staffing shortages, which are already challenging our society's ability to operate with maximum effectiveness. Public schools are no exception, and we must do everything we can to support and take care of our greatest resource in mission delivery, our dedicated employee team members. We have innovative, effective, and highly successful programs, and we must protect them. Being forced to make such reductions would create a highly disruptive impact which would be detrimental to our mission, students, staff and community.

What is next?

This matter rests with the decision making authority of the Arizona Legislature. Only they have the legal authority to override this limit, specifically by a $\frac{2}{3}$ vote, which has been done before. Granted, there is a need to address the long term issue with a long term solution, one that is satisfactory to address the current needs of our State. For the urgent matter at hand, there is some indication that the Legislature is aware of these issues and understands the need to take this action. That is encouraging. However, we must understand that there are several multifaceted considerations, including the normal political aspect which is part of the Legislative process. My hope is that there is common ground that the right thing for the current short term need is to override this limit, and then work for a long term solution. I believe that most people understand that an unnecessary 16% cut to this year's already approved budgets, with only about 33% of the school year left, is not a reasonable, prudent or sound action.

What is our plan?

The tough element of all this is that it hinges on multiple factors, including legal rulings, the normal political process, timelines, and regulatory determinations. It is largely beyond our local control and a little stressful, as the March 1 deadline looms, and we think about even the possible loss of \$6,500,000. However, I remain optimistic that a reasonable and prudent outcome will emerge. I am working in my role as our school system leader, to be engaged and involved in the process

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and to convey professional perspectives about this matter. I am working with my fellow superintendents around the State to evaluate these issues and seek a sound resolution with our elected officials.

I can share that two guiding principles are at the forefront of my mind. First, we are committed to finishing the school year successfully and in its entirety. Second, on a related point, we are committed to honoring our employee contracts and obligations. We have worked very hard to dig out from the wreckage of the pandemic related budget disruptions, and are poised for a return to a future of better budget stability. However, if presented with the most dire of scenarios, we conceptually plan to tap our limited budget carryforward, to the greatest extent possible in honoring the stated principles. Of course, in an emergency situation, we would be forced to invoke allowable contract measures, such as general salary reductions, for example, if it becomes absolutely necessary. Historically, we have never had to implement those more drastic action steps and will do everything possible to avoid it this time, to the greatest extent possible.

I will continue to remain engaged in this important issue and to keep all of our community stakeholders informed in the coming weeks, as this matter becomes more clear. Thank you for your patience and trust as we tackle yet another challenge. I'm grateful for the cohesion and support of our community. And, together, we will move through this and continue to make a difference!

Sincerely,

Manuel O. Valenzuela, Ed.D.
Superintendent

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