Summary: This 2019-20 profile of Arizona's public K-12 school finance system focuses on three core indicators from the School Finance Indicators Database: fiscal effort, statewide adequacy, and equal opportunity. On a weighted average of these three measures (see back), Arizona scores 16 out of 100, which ranks 48th out of the 48 states with possible ratings.

FISCAL EFFORT

Fiscal effort is a measure of how much states devote to their schools as a share of their economic capacity (i.e., ability to raise revenue). Effort is calculated by dividing direct state and local K-12 expenditures in each state by its gross state product (GSP).

- Arizona effort: 2.62%
- U.S. average: 3.61%

- Arizona is a low effort state.
- In FY 2020, AZ spent 2.62 percent of its economic capacity (GSP) on its K-12 public schools.
- This was 0.99 percentage points lower than the unweighted national average of 3.61 percent.
- AZ's effort level ranks #48 in the nation (out of 50).

ADEQUATE FUNDING GAP OF TYPICAL STUDENT

Statewide adequacy compares actual per-pupil (PP) spending in each state to district-level cost model estimates of the amount required to achieve the modest goal of U.S. average test scores. The graphs to the right indicate the percentage of students in districts where spending is below adequate and the funding gap (% above/below) in the typical student’s district. The graphs include regional and national averages.

- Overall adequacy in AZ is relatively low.
- By the modest standard of U.S. average scores, 87.5 percent of AZ students attend inadequately funded districts, which ranks #45 in the nation (out of 49).
- The typical AZ student’s district spends 25.4 percent below adequate levels, which ranks #45 in the nation.

EQUAL OPPORTUNITY

Equal opportunity is the comparison of adequacy between each state’s higher- and lower-poverty districts. The graph to the right presents adequate funding gaps by district poverty quintile (the blue diamonds are U.S. averages). The difference (in pct. points) between the lowest- and highest-poverty groups is a state’s “opportunity gap.”

- Educational opportunity in AZ is moderately unequal.
- Spending in AZ’s highest-poverty districts is 33.9 percent ($5,539 PP) below the estimated adequate level, compared with 6.1 percent ($535 PP) below adequate in the state’s most affluent districts.
- This opportunity gap of -27.8 percentage points is ranked #5 in the nation (out of 48).

ADEQUACY BY DISTRICT POVERTY

- AZ’s opportunity gap contributes to a student outcome gap: the state’s highest-poverty districts (pink dot) score 0.87 s.d. below its lowest-poverty districts (blue dot).
The data in this state profile are from the School Finance Indicators Database (SFID), a collection of public K-12 school finance and resource allocation indicators published annually by researchers from the Albert Shanker Institute, University of Miami School of Education and Human Development, and Rutgers University Graduate School of Education. The primary product of the SFID is the State Indicators Database (SID), a state-level dataset containing roughly 125 variables. This profile focuses on three types of measures included in the SID: fiscal effort, statewide adequacy, and equal opportunity. The full SID dataset, along with accessible documentation of and data sources for all the measures presented in this profile, as well other SFID datasets, tables, and research reports, are freely available to download at schoolfinancedata.org. The following are some general notes about the sources, followed by descriptions pertaining to the three types of measures they present:

• The years in the profile refer to the spring semester of the school year (e.g., 2020 is 2019-20).
• Estimates may differ slightly from previous profiles, as some measures are changed or improved each year, and all years are recalculated annually with updated data.
• Due to rounding, some percentages in the table may not add up to 100.
• The total number of states assigned rankings varies slightly by measure, as not all measures are available in all years.
• Overall state scores: The overall scores reported at the top of the profile provide a very simple summary of states’ combined “performance” on the three core indicators featured in the profiles. They do not represent comprehensive evaluations of states’ school finance systems. Each state is scored entirely relative to other states (i.e., rather than based on some absolute standard of “good” or “bad”), and the selection/weighting of components entails subjective judgments on the part of the SFID research team.
• The scores are calculated as a weighted average of 2-scores (final averages expressed as percentile-equivalents, with a score of 50 = z-score of 0) of the following measures (weights in parentheses): 1) percent of students in districts with above adequate funding (22.5%); 2) statewide (%) adequacy gap (22.5%); 3) GSP-based fiscal effort (15%); 4) personal income-based fiscal effort (15%); and 5) equal opportunity gap (Q5/Q1 difference in adequacy gap, in percentage points) (25%). State ranks may reflect differences in unrounded measures.
• D.C., Hawaii, and Vermont are not assigned scores, as one or more of the measures that constitute the scores cannot be calculated for these states.

**Fiscal effort**

Fiscal effort indicates how much of a state’s total economic capacity goes toward K-12 schools. It is calculated in the SFID by dividing direct state and local K-12 expenditures by either Gross State Product (GSP) or aggregate state personal income. Both of these are measures of a state’s economic capacity. In this sense, effort measures how much each state contributes as a percentage of how much it might contribute. The former denominator (GSP) is used in these profiles, but the two are highly correlated, and the income-based effort indicator is available in the SID. Bear in mind that higher-capacity states with larger economies, such as New York and California, can put forth lower effort than lower capacity states, such as Mississippi and Alabama, but still provide more total dollars for education due to their larger economies.

• U.S. effort averages are unweighted and do not include Vermont in any year (effort not available in 2018-20 due to data irregularities), so as to keep a consistent set of states across all years. In the first bullet of the left panel, we characterize each state’s effort level as low, medium, or high by sorting states into three roughly equal groups using terciles. Note that even seemingly small changes or differences in effort levels represent large revenue amounts, as the denominators are entire state economies. Note also that 2006 is the first year in which we calculate GSP-based fiscal effort, as quarterly GSP estimates are not available before that.

• The table in the right panel summarizes the center-panel graph, with a focus on effort trends before and after the 2007-09 recession. The 2006-12 period (the “K-12 recession”) is highlighted in the table (rather than, say, 2006-09) because the direct impact of the recession on K-12 funding in the typical state persisted for a few years after the “official recession” ended, and because federal stimulus funds ran out after 2012. 2012 is therefore an apt starting point for assessing states’ reinvestment (or lack thereof). Trends, however, vary by state.

• In the third bullet of the right panel, below the table, we present a “thought experiment” of sorts, in which we calculate how much additional total state and local spending each state would have to spend to equalize effort for the 10 largest districts in the state, for either the 2018 GSP (for which all data are available) or the 2017 GSP (for which all data are available, except for Hawaii in all years (due to it being a geographically isolated, single district state), and for Vermont between 2017 and 2020 (due to data irregularities). Estimates for D.C. apply to a single school district (District of Columbia Public Schools).

• In the first bullet of the left panel, we characterize statewide adequacy as follows: high (20 percent or more below adequate districts); moderate (between 10 and 20 percent below adequate districts); low (below 10 percent below adequate districts).

• The regional groupings in the graph are U.S. Census divisions (9 groups). Az’s division is Mountain. Axis ranges for the bottom graph may vary by state.

• The table in the right panel presents adequacy estimates (percent difference between actual and estimated adequate spending) for the 10 largest (enrollment) districts in the state. The first bullet directly below the table presents the number of districts in each state with below adequate funding levels as well as the total number of districts in this state with valid estimates. The first bullet presents the total additional funding that would be required to close all these negative funding gaps (“ignoring” all districts in which actual spending exceeds adequate levels).

**Equal opportunity**

Equal educational opportunity is achieved in a given state when none of that state’s districts are substantially further above or below adequate spending levels than are other districts. In the SFID, we measure equal opportunity (EO) with the same NECM estimates used for statewide adequacy (see above), but in this case by comparing adequacy gaps (percentage difference between actual and estimated adequate spending) between the highest- and lowest-poverty districts in each state. That is, each state’s “opportunity gap” is the difference (in percentage points) between these two groups (district poverty groups are defined in terms of quintiles—e.g., the 20 percent highest-poverty districts compared with the 20 percent lowest-poverty districts in each state). Note that EO is conceptually independent of adequacy (i.e., a hypothetical state in which all districts are below adequate funding levels might still exhibit EO, so long as high- and low-poverty districts are inadequate by roughly the same proportions, whereas highly unequal opportunity might exist in a state in which funding is universally adequate, if high-poverty districts are more adequately funded than low-poverty districts.

• EO estimates are not available for Vermont and Hawaii (adequacy estimates not available), and cannot be calculated for D.C. (single government-run district state).

• In the first bullet of the left panel, we characterize EO in each state as follows: severely unequal (EO gap less than -30 points); highly unequal (EO gap between -30 and -75 points); moderately unequal (-75 to -30 points); mildly unequal (-30 to +30 points); and equal (EO gap greater than +30 points).

• The center panel figure presents adequate funding gaps for all five quintiles in each state (although opportunity gaps as we define them for the purposes of this profile use only the highest- and lowest-poverty groups, this graph permits comparison of gaps between different combinations of groups). The state (bars) and U.S. (blue diamonds) estimates in the graph are average differences between actual and required spending (weighted by enrollment), by district poverty quintile. Note, however, that poverty quintiles are defined state by state, and so the state averages (blue diamonds) represent an approximation of the national situation. Axis ranges for this graph may vary between states.