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ECHOES IN THE HALLS

ARIZONA SCHOOL DISTRICTS' GROWING PROBLEM WITH EMPTY BUILDINGS AND EMPTY BUSES

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ABOUT THE AUTHOR



Glenn Farley is CSI Arizona's Director of Policy & Research. Before joining CSI in 2022, Glenn worked in the Office of the Arizona Governor, most recently as Gov. Doug Ducey's Chief Economist and a policy advisor. In that role he advised on issues of tax, fiscal, and regulatory policy, and was one of the Governor's lead architects of his two major tax reforms – including the 2021 income tax omnibus which phased in a 2.50% flat tax (the lowest in the country). Glenn also led the budget team that produced the Executive revenue forecasts and caseload spending numbers that have helped ensure the longest run of structurally balanced budgets in State history. Glenn has a Master's Degree in Economics from Arizona State University's WP Carey College of Business, as well as a B.S. from Arizona State University. He was born and raised in Arizona where he now lives with his wife and two

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ABOUT COMMON SENSE INSTITUTE

Common Sense Institute is a non-partisan research organization dedicated to the protection and promotion of Arizona's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Arizonans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Arizonans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the Arizona economy and individual opportunity.

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INTRODUCTION

Arizona's district public school system has deep roots, stretching back to its territorial days. For most of its history, this system grew alongside Arizona's population, fueled by the fact that 80% or more of Arizona's 6-year-olds went to their local district public school. Arizona school districts built schools, hired teachers, and expanded bus routes, anticipating perpetual growth. By the 2010s, Arizona's public K–12 system was a sprawling network of thousands of school buildings, vehicles, and people – designed to educate a swelling student body in a state that assumed this would go on forever.

But the tide has turned. Since 2008, district school enrollment has steadily declined, and the decline is accelerating. Enrollment dropped another 5% since 2019 alone – in contrast to the growth mindset that once defined the system. Meanwhile, educational choice has reshaped the landscape: 40% of incoming kindergarteners now opt for charter or private schools, despite smaller facilities, leaner staffs, and a lack of formal transportation options. Despite this shift, district schools have doubled down on expansion, adding 499 new buildings and boosting gross square footage by 3% in just the last five years. Today, Arizona's public district schools have 78 million square feet of 'excess' space.

This report exposes the inefficiencies that have taken root. It's a story of misaligned priorities and outdated systems, where resources pile up unused while student outcomes falter. Capital spending has increased by 67% to \$8.9 billion since 2019. Transportation costs have increased by 11.3% to \$561.2 million, despite a 45% drop in eligible bus riders. Urban districts have seen a 63% increase in bus miles per rider, while rural and choice students often struggle to access reliable transportation services. Staffing has grown too, but academic results haven't followed – math proficiency has fallen 25% since 2019, and low-performing schools limp along at about one-fifth of their rated capacity.

The root causes lie in history and policy. Arizona's funding models, forged in an era of expansion, tie dollars to building projects and bus routes rather than student needs. Districts, incentivized to spend rather than adapt, have amassed assets that no longer serve their purpose. Urban areas, flush with school choice options, often see the starkest inefficiencies. The result is a system out of sync with reality, where billions in taxpayer funds prop up a shrinking district footprint instead of fostering equity, promoting innovation, or ensuring funding ends up where the students are.

KEY FINDINGS

- **Enrollment Down, Facilities Up:** After peaking back in 2008, district school enrollment declined another 5% after 2020, but gross square footage rose 3%, capital spending rose 67%, and student capacity increased 2%.
- **Overbuilt System:** Arizona's district schools have 78 million square feet more than needed - enough for 630,000 additional students. The distribution of these excess facilities is even more inefficient – Arizona's lowest-performing schools have the most space, and some of its fastest-shrinking districts have increased capital spending the most.
- **High Opportunity Cost:** The market value of the excess space is \$12.2B, enough to cover 10 years of capital expenditures or save \$1B annually in maintenance and operations if divested.
- **Vehicles Up, Riders Down:** Since 2019, reported eligible student riders on the states district vehicles has fallen 45% (compared to an overall enrollment decline of just 5%), but transportation spending is up 11.3% and districts purchased 3,098 new vehicles.
- **Average school vehicle purchase prices are up 136% since 2019:** This increase dwarfs overall inflation, and was probably driven in part by a surge of federal subsidies that encouraged every school district to start buying new school buses simultaneously, around 2021-2022. A federal push for electric buses may be "fueling" these costs.
- **No choice in Transportation & Capital funding:** The states formal capital and transportation funding formulas are exclusively available to district public schools and prioritize their assigned local students.
- **Charter and private school students make do with less:** On average, the state's non-district K-12 students have less space, no access to formal school transportation, and receive fewer school capital dollars than their traditional public counterparts.

TRENDS IN TRADITIONAL PUBLIC SCHOOLS SINCE 2020

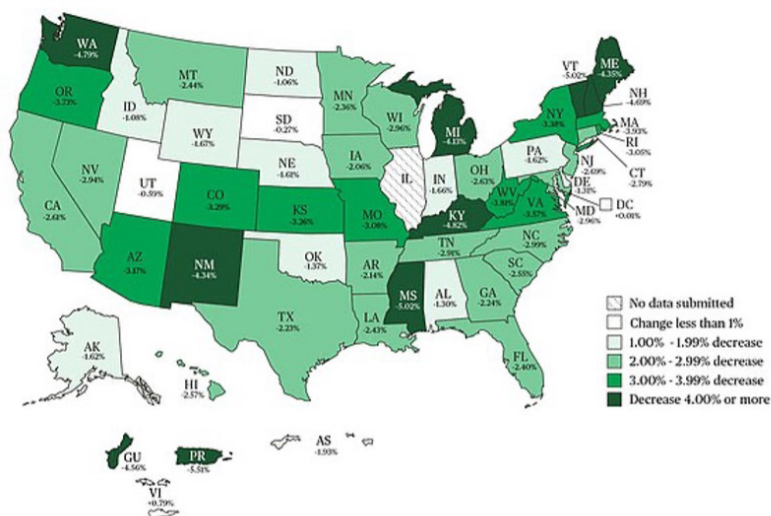
In 2019, there were 47.4 million public district school students in the United States. By the 2023-24 school year, that number had declined to 45.8 million (-3.4%).ⁱ Arizona's traditional district school enrollment fell 2.9% over the same period – to about 875,000 students from over 900,000.ⁱⁱ

While this reflects a trend that accelerated during and after the pandemic, the roots of this issue go back over a decade. The largest-ever Kindergarten class in state history entered Arizona's public school system during the 2012-13 school year; every incoming class since has been smaller. And in fact, the district system hasn't grown at all since 2008. All growth in Arizona's public K-12 system since has come from its charter schools. Recently, even this system has seen enrollment stall - between 2021 and 2022 total Arizona charter school enrollment *declined* year-over-year (potentially the first enrollment decline for this system in state history). Over the past three years average annual enrollment growth in Arizona's Charter schools has been just 0.3%/year – a fraction of its historical rates, which were often in the double digits.

These negative enrollment trends coincided with a surge of new public school resources. Federal, state, and local K-12 funding growth reached historic highs after the pandemic as enrollments declined. Despite the combination of more resources and fewer students, schools have struggled in this new environment. **Academic proficiency, graduation rates, student retention and attendance, and other performance indicators have collapsed since the pandemic.**

FIGURE 1 - NCES MAP OF U.S. PUBLIC SCHOOL ENROLLMENT CHANGES

Figure 1. Percentage change in public school enrollment between SY 2019-20 and SY 2020-21, by state or jurisdiction



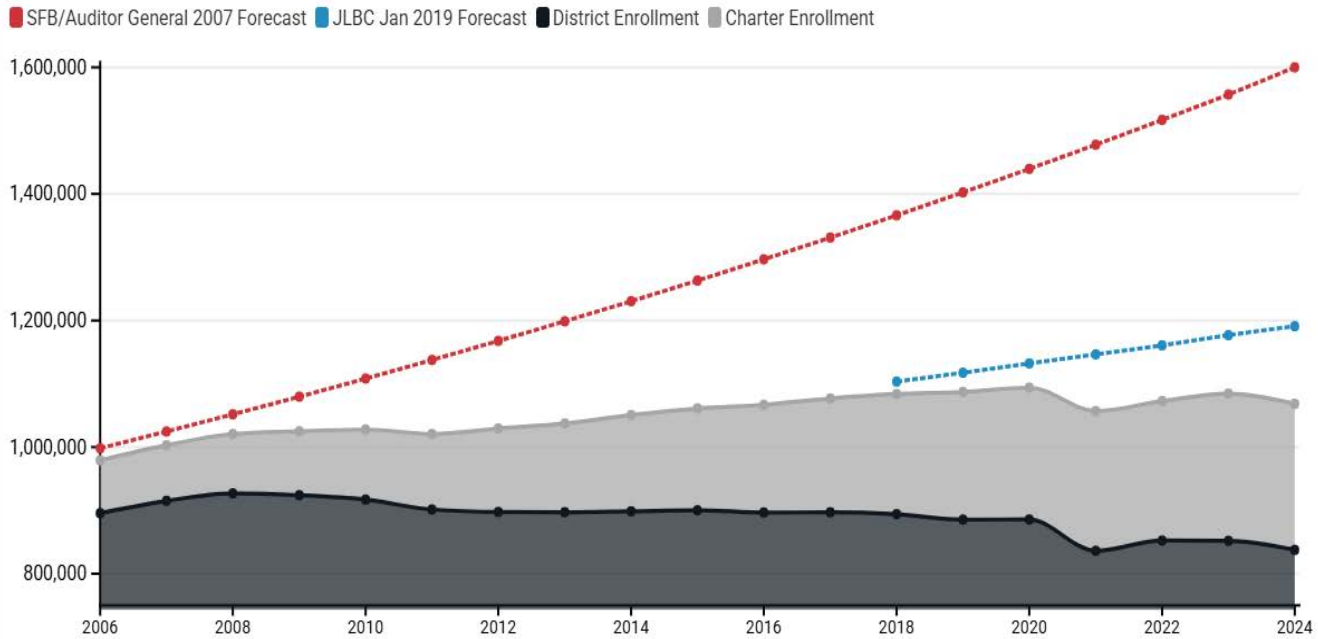
NOTE: The SY 2019-20 and SY 2020-21 total counts for California, Oregon, American Samoa, and Bureau of Indian Education do not include prekindergarten counts. Illinois was not able to submit SY 2020-21 data as of the submission deadline.
SOURCE: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), files ccd_SEA_052_1920_1 to 082820, 2019-20, Version Provisional 1a; ccd_SEA_052_2021_1 to 041321, 2020-21, Version Preliminary 0a.

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FIGURE 2

Long Term Arizona K-12 Enrollment Trends

For years, the state has consistently over-estimated future public school enrollment growth. This trend has become particularly pronounced since the pandemic era.



Source: AZ Auditor General, JLBC FY20 Baseline Book, CSI estimates

Only in 2023 did the state receive its first detailed look at public-school student performance during the period of extended school closures, mask requirements, and remote learning; it was revealing. Some of the largest year-over-year declines in national standardized test performance ever were recorded, and virtually all of Arizona's gains in academic achievement over the prior decade were erased. At the same time, despite no apparent remediating impacts on student performance, the impacts of new financial resources over this period are evident elsewhere. **Since 2019, district public schools have accumulated another 4.5 million square feet of new capital facilities; there are more teachers and staff in district schools than ever (+1.5% since 2019), and average teacher salaries are at their highest recorded levels (\$65,113/year for an Arizona public district school teacher)ⁱⁱⁱ and District schools now operate 7,661 buses and other vehicles to transport fewer students over 66.7 million annual route-miles (+3.5% since 2019).**

Arizona K-12 Funding Growth, 2019-2024



\$9.0B (+53%)

State K-12 Funding (2024)

\$4.9B (+13%)

Local K-12 Funding (2024)

\$2.8B (+102%)

Federal K-12 Funding (2024)

This raises two questions of interest: what is driving these enrollment changes, and can the state better and more efficiently utilize these growing K-12 resources to achieve academic outcome improvements?

We identify two drivers. First, demographic change – years of declining birth rates have finally led to not just slowing growth of the state’s school-aged population, but a *declining* number of 5-17 year olds, starting in 2022. Second, changing preferences – while demographic change appears to have come to a head in 2022 (and the state’s largest ever K-12 senior class will likely graduate imminently), district school enrollment has been shrinking slowly for a decade. This trend accelerated notably after 2020 and hasn’t recovered. **Not only are there fewer children overall, but fewer of them are choosing public district schools.**

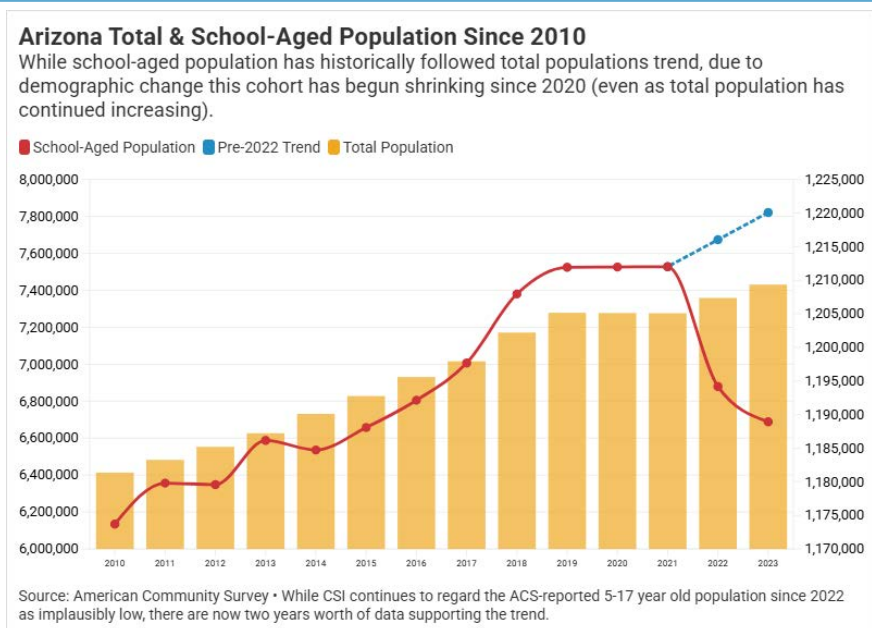
The accumulation of scarce K-12 resources and services by the District system crowds out the growing private- and Charter-systems. For example, rising demand for more, newer, and more energy efficiency school buses has pushed up the cost of a new school bus nearly 50% since 2019 – fine for traditional District schools, which have received over \$6 billion since 2019 in new federal appropriations earmarked for high-efficiency new school buses, but a disaster for other providers.^{iv} Given these trends, more prudent management of existing District school assets given the declining enrollment environment could both provide more financial and operational stability to the District system going forward, and improve opportunities for students in other growing but asset-starved systems.

Demographic Change

Population growth has been slowing – in Arizona and in the United States – for years. In Arizona, migration and charter school growth have partly concealed this problem. Though both slowed markedly over ten years between the pandemic and the Great Recession, they continued to contribute to Arizona’s overall K-12 population growth. And during the pandemic, domestic migration swelled – Arizona alone added 100,000 new migrants from other states in 2020, according to the U.S. Census. As a result, for states like Arizona, *slowing* population growth has never meant *declining* population – migration and other sources have been keeping us afloat.

The same has been true for the state’s school-aged population (children between 5 and 17). For most of state history, the Census reports that this cohort followed the same general trend as total population; in fact, growth surged in this group *before* the pandemic, according to the American Community Survey. That is now over.

FIGURE 3



After three years of flat growth, in 2022 the school-aged population in Arizona shrank for the first time ever recorded. In 2023, the cohort shrank again, for the second consecutive year. Today, there are over 30,000 fewer kids in Arizona than we would expect given prior growth trends and accounting for recently slowing growth rates.

Assuming those extra 30,000 school-aged children would have matriculated into the public district school system at historical rates (75%-

80%), then there are about 22,500 fewer children in District schools today than there “should be” given population growth prior to 2022. Note that is after just two years of impact of this new population decline. The gap grows by up to ~10,000 students every year, until/unless the school-aged population resumes growing again at 2010–2020 rates (roughly 1.5%/year). Instead of this enrollment growth, we’ve had population decline feeding enrollment decline. Applying today’s public district school matriculation rates to the last two years’ population loss, then we would expect 12,000 fewer students to be enrolled in traditional public district schools today.

Actual enrollment decline over the past two school years, according to the Joint Legislative Budget Committee? 12,373 students.

Changing K-12 Student Preferences

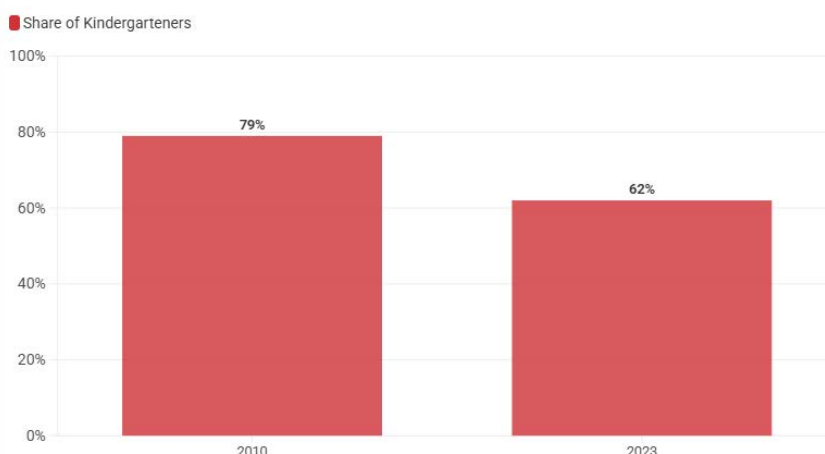
In the prior section, we pointed out that roughly all of the enrollment change in District schools over the past two years could be explained by population decline, *assuming today’s District school matriculation rates* (versus our specific characterization of “historical” matriculation rates at 75%-80%).

For context, since statehood Arizona has had compulsory K-12 education laws requiring “school” attendance, and a system of traditional public district schools.^v While the private school system pre-dates the public system, the states compulsory schooling laws pre-date statehood and generally explicitly required traditional school attendance, originally only implicitly recognizing private schooling as a legal option.^{vi} Home- and private-schooling almost certainly existed during this period, but operated in a legal grey area; as early as the 1920’s Arizona Statutes made reference to the possibility of nonpublic education while explicitly requiring public school attendance^{vii}, and not until 1983 both were explicitly and generally recognized as legal alternatives to common schooling.^{viii} For all intents and purposes, though, during the modern post-statehood period, it is likely that virtually all children attended traditional public district schools. And even though Charter school enrollment grew rapidly following their creation in 1994, they remained a relatively small slice of total K-12 enrollment for years. For example, according to the National

FIGURE 4

Kindergarteners in Arizona's District Public Schools

Between 2010 and 2023, the share of families estimated by CSI to be enrolling their children in District school kindergartens fell by one-fifth.



Source: Arizona Department of Education, American Community Survey • Assumes that 20% of 5-9 year olds in Arizona are eligible for Kindergarten.

Center for Education Statistics, in 2000 approximately 90% of all Arizona K-12 students were in District schools; Charter and Private schools shared approximately 5% each, and homeschooling is harder to estimate but was likely very small.

FIGURE 5

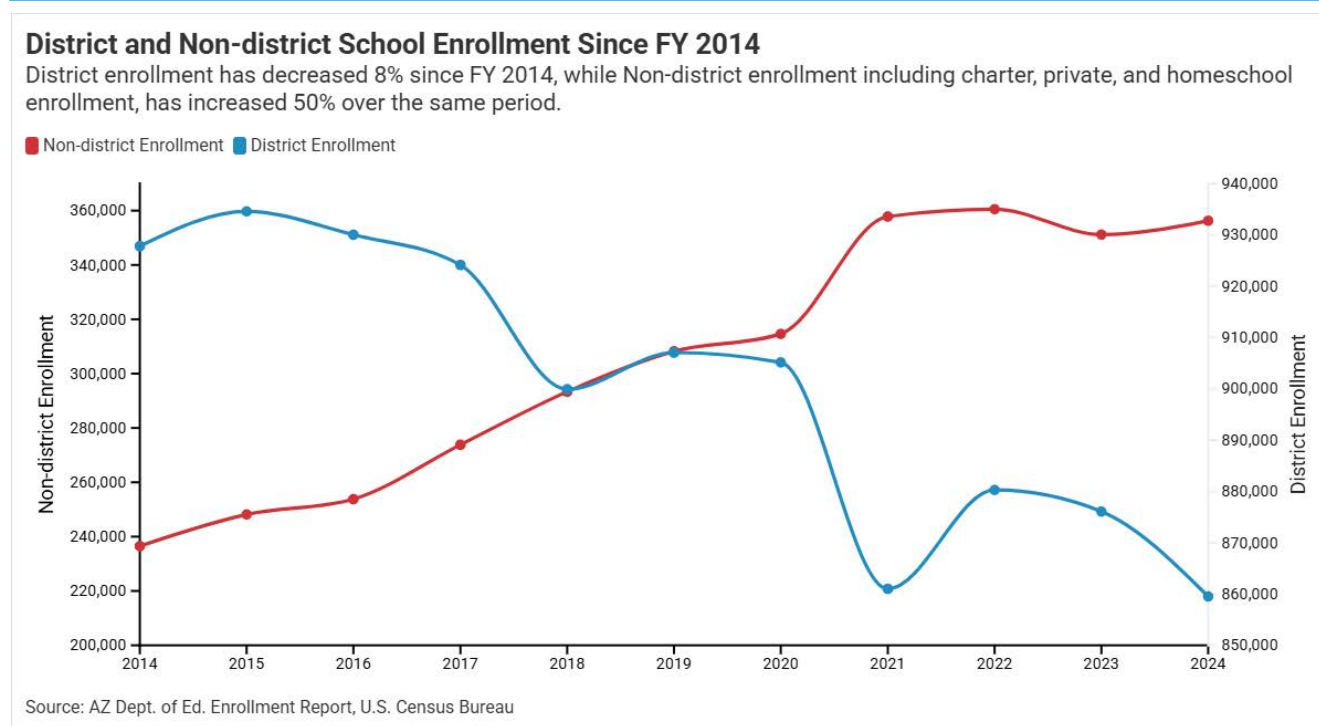
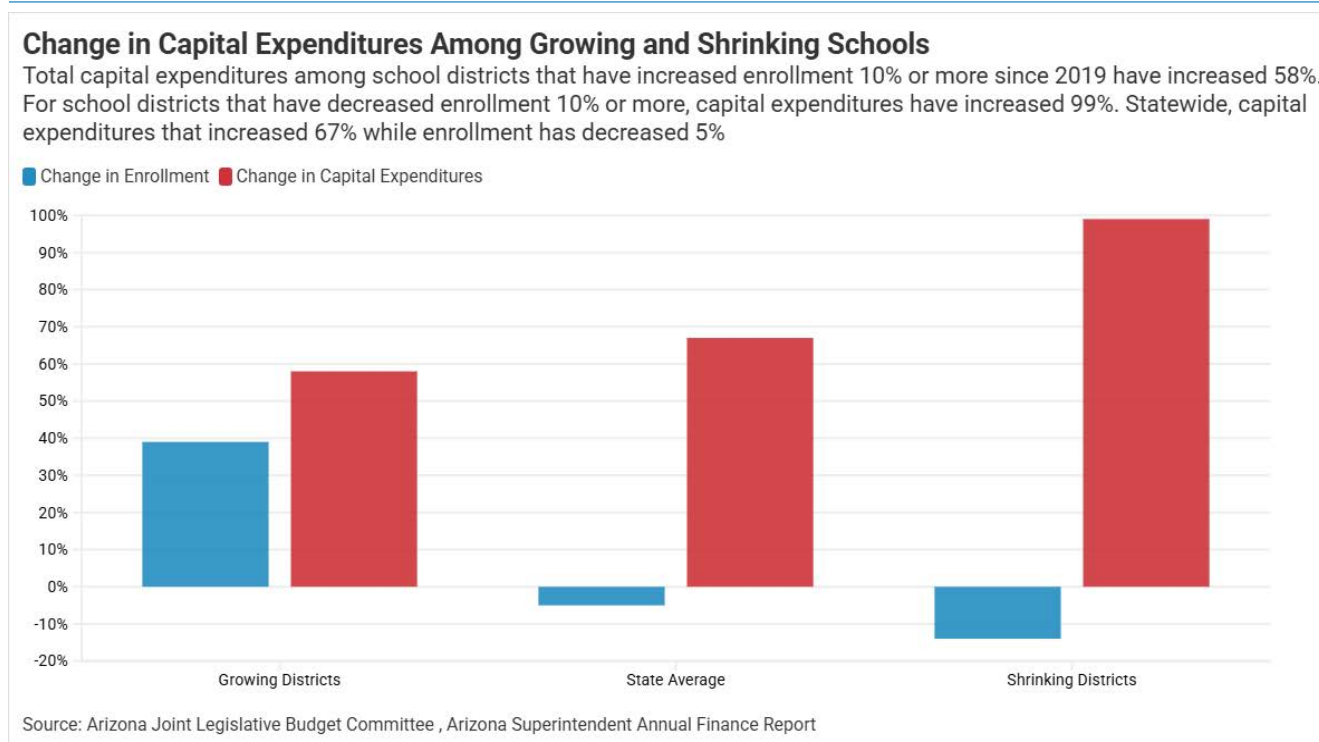


FIGURE 6



As recently as 2010, nearly 80% of all Kindergarten-eligible children in Arizona (5-6 years old) were probably attending a public district school, based on enrollment and American Community Survey population data. And Kindergarten attendance is a strong predictor of future school attendance, meaning even with a robust system of school choice (explicitly legal and permissive home- and private-school laws since at least the 1980's; legal charters for almost two decades; and a generous private-school tuition tax credit program) traditional public school was still the choice of 80%-90% of all Arizona students through the 2010's.

It was not until 2020, extended school closures^{ix}, broad curriculum dissatisfaction^x, and other issues led to massive disenrollment not just from Arizona but national public district schools. 1.6 million K-12 students left the District school system virtually overnight^{xi}; in Arizona, District enrollment fell by 50,000 students and never recovered. As of 2023, using our same methodology, **today only about 60% of parents are choosing a district school when enrolling their student in Kindergarten.**

Demographic change alone can explain less than half of the total enrollment loss in District schools over the past five years. The balance likely comes from an apparently permanent preference shift among the families of 5-17 year old children that began during and cemented after the pandemic.

A Growing Resource Misallocation

In general, scarce resources compete in marketplaces – more spending or investment in one area typically requires less in another, all else being equal. For example, government spending competes with private investment^{xii}; consumer spending on wine crowds out spending on beer^{xiii}. Similarly, steadily increasing the allocation of resources to Arizona's district school system, even as student growth shifts toward other education systems, crowds out access to those resources for students in alternative settings.

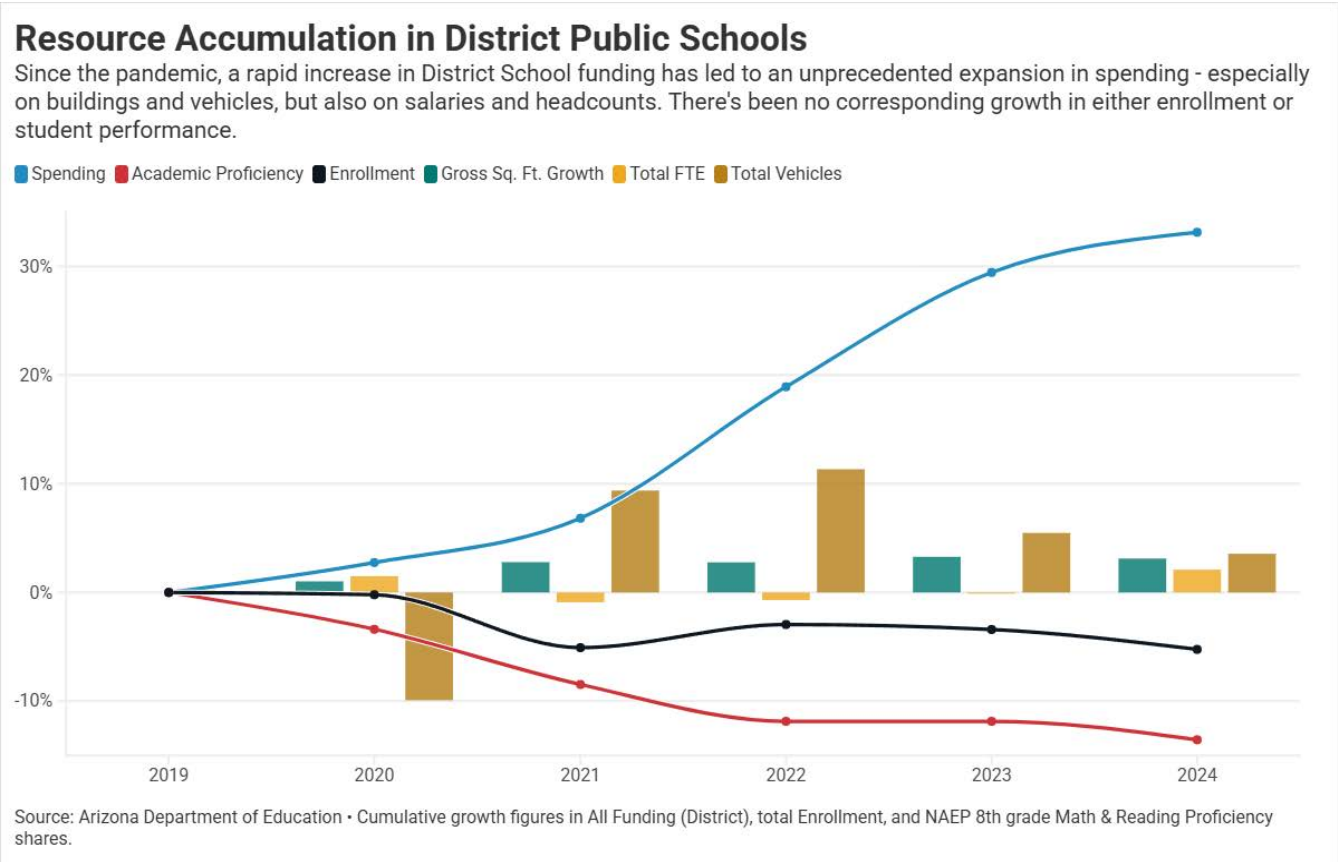
For instance, the district school system holds an effective monopoly on K–12 student transportation in Arizona. Nearly all school buses in the state are owned and operated by district schools and are used exclusively to transport district students. District schools also employ large and growing academic and support staffs and maintain access to extensive facilities—particularly non-classroom spaces such as gyms, playgrounds, music rooms, and recreation areas.

Today, between one-third and one-half of all K–12 students in Arizona are “choice” students – those who are open-enrolled in schools or districts other than the one assigned by their home address. About 27% of all 5- to 17-year-olds do not attend a public district school at all, instead enrolling in private, charter, or home/micro-school environments. Notably, nearly 40% of all new kindergarteners are not enrolling in their assigned public district school, suggesting these proportions will continue to increase over time.

Based on School Facilities Division data, CSI estimates that Arizona's district schools average approximately 172 square feet of facility space per student. While precise figures for other sectors are unavailable, we estimate—based on industry standards and expected capacity utilization—that charter schools offer about 85 square feet per student, and private schools about 150 square feet per student.

Because of land availability, zoning, and other constraints, there are limited viable locations for new schools. In many such locations, existing district school facilities already occupy the space—often underutilized but still maintained at taxpayer expense. Meanwhile, space-constrained charter and private schools are unable to expand quickly or affordably enough to meet growing demand.

FIGURE 7



SCHOOL FACILITIES: A SYSTEM OUTGROWING ITS STUDENTS

As of 2024, Arizona's 1,400 district schools enrolled 859,519 students – down 5% since 2019. But District enrollment hasn't grown in decades. In fact, enrollment in our district public school system peaked in 2008 (at 931,000 kids)^{xiv} and has been declining since. Total public school enrollment counts have been held up by the charter system, which was still growing.

Despite enrollment decline, school districts have continued investing in new and improved facilities and now face a growing mismatch between enrollment demand and physical capacity. As of last year, District schools owned 12,439 buildings covering 148.6 million square feet; in 2008, when enrollment peaked, they owned 13,883 buildings but covering just 130.7 million square feet (an increase of +13.7%).

Since 2019 alone, enrollment has declined 5% while District school gross square footage has increased 3%, **capital expenditures have increased 67%**, student capacity has increased 2%, and square feet per student has increased 9%. Over the last five years, **Arizona District schools have spent a cumulative \$8.9 billion on capital items** – including up to an estimated \$6 billion on new buildings.

School districts often justify increased facilities spending in the face of generally declining enrollments as needed in order to attract more students – an attitude that will continue exacerbating these underlying structural issues absent reform.^{xv xvi xvii}

While Arizona's school districts struggle with excess space, the situation in other systems is reversed – there is more demand than student capacity, and facilities expansion is often cost-prohibitive. CSI estimates that Districts operate at 67%^{xviii} of their student capacity, compared to 75%^{xix} for private schools and 95%^{xx} for charters. This excess district space could educate over

School Facilities Accumulation



907,039

District School Enrollment
(2019)

859,519 (-5%)

District School Enrollment
(2024)

144.1M

District Gross Square Feet
(2019)

148.6M (+3%)

District Gross Square Feet
(2024)

+\$768.3M (+67%)

Change in District Statewide
Capital Expenditures
(2019-2024)

600,000 additional non-district school students were it being used to purpose.

School facilities are costly to build and maintain. Since 2019, district capital spending has surged 67% to \$8.9 billion, with \$6 billion on new buildings, and per-pupil capital funding reached \$2,278 in 2024. State appropriations to the School Facilities Division (SFD) increased 36%, and voters approved \$925.5 million in bonds/overrides in 2024 (40 of 52 requests) - though a 72% passage rate suggests voter fatigue. Despite a 5% enrollment drop (47,500 fewer students), districts added 499 new buildings.^{xxi}

That's the equivalent of 2.6 professional football stadiums worth of classrooms and school space – enough space to provide 632 medium-sized offices in the commercial office market or 2,246 average-sized homes for 5,615 Arizonans. Combined, public district schools would be Arizona's fifth-largest private landowner (at 148.6 million total square feet).

Although capital expenditures have increased statewide, not all districts are benefiting from this growth proportionately. In fact, 20% of school districts (accounting for 73% of enrolled students) are receiving 81% of all capital funding. Further, on average, the school districts receiving the highest amount of statewide capital funding perform worse than schools in the bottom half of the funding distribution

FIGURE 8

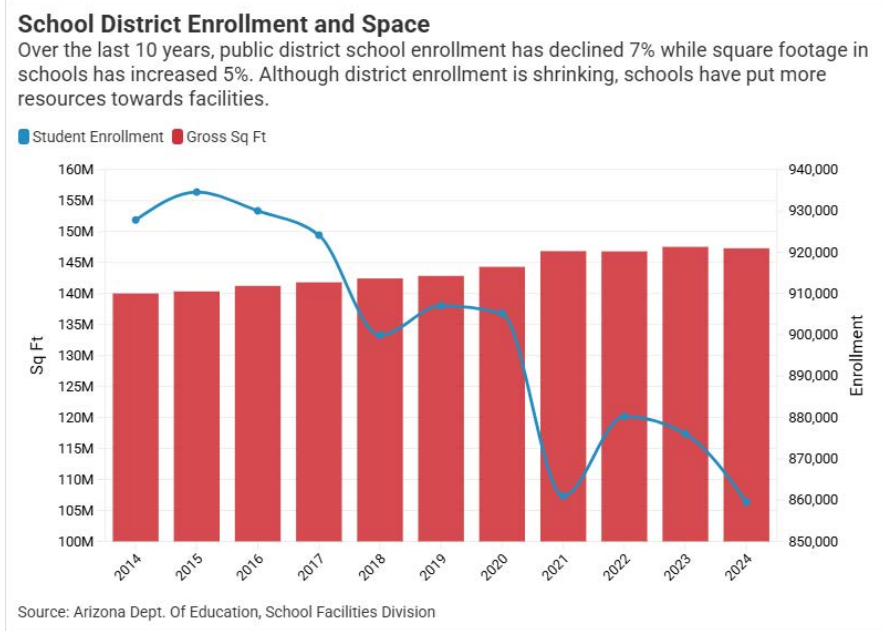
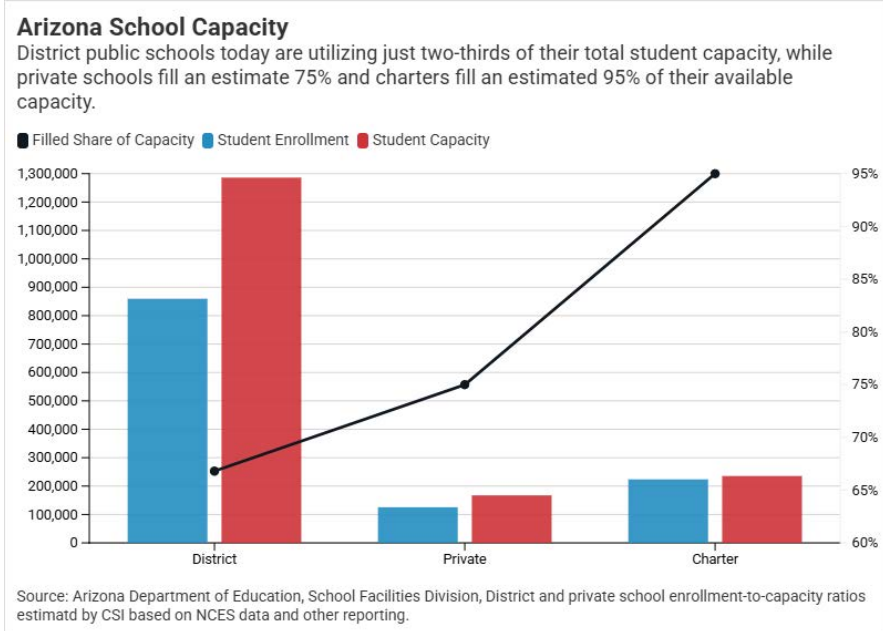


FIGURE 9



(less than 32% passing the Mathematics assessment). In general, there is very little correlation between either District academic performance¹ or enrollment growth rates and capital funding shares and growth.

The fastest growing school districts in Arizona were the least-well-funded for capital, on average and over the last five years.

Considering just new student growth in the small number of district public schools that have seen net

enrollment increase over the last five years, CSI estimates there was demand for about \$600 million in gross new facilities funding since 2019. Actual investments? Nearly \$1.1 billion by the state alone, growing to nearly \$6 billion after accounting for local bond investments as well. Again, in estimated new building construction alone (not accounting for renewal monies).

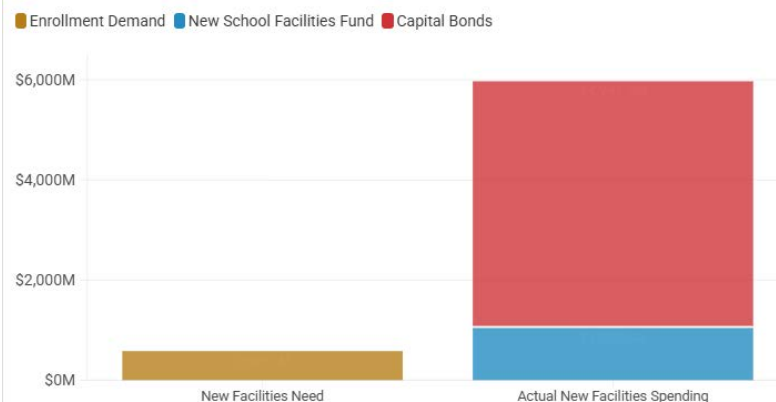
It is striking how dramatic the capital funding disparities created by this post-pandemic environment have been, and how disconnected that funding often is from actual enrollment trends. For example, Queen Creek Unified School District has seen its enrollment grow by 87% since 2019, but has consistently failed to secure voter approval to issue capital bonds (at least over the last three election cycles) and only in 2024 was able to get a voter-approved capital override^{xxii}. Roosevelt Elementary School District, on the other hand, has seen a 16% decline in student enrollment since 2019 but its voters approved one of the state's largest bond requests in 2024.

While the State General Fund-financed School Facilities Division (SFD) was created to introduce both equity and adequacy into the District capital funding system, in practice state funding ensures a minimum support level and local bonds/overrides allow wealthier districts to exceed this floor, perpetuating inequity. Further, decisions to sell, re-purpose, or otherwise dispose of school district capital assets are at the sole discretion of the local District itself (beyond adequacy, the SFD has no role), and CSI's review of the historical precedent suggests that district management is generally reluctant to dispose of these assets regardless of need. As a result, the system today is awash in capital funding, even as enrollments have been declining. And there is no statewide body with a mandate to manage the issue. The School Facilities Division is obligated only to contemplate enrollment growth and new capital funding needs.^{xxiii}

FIGURE 10

School District Building Funding Since 2019

Relative to hypothetical demand given gross enrollment growth, SFB and local School Districts have invested \$5.5 billion more than they 'should have' - even if every new student needed \$30,000 worth of new school facilities.



Source: Arizona Department of Education, School Facilities Division, Ballotpedia • Assumes the state would need to provide \$29,568 in new capital funding for the 19,922 new K-12 students at growing District schools since 2019. While this data only include SFB New School funds and local new School Capital Bond funds, some of this money may be used to replace existing- or for non-building needs.

¹We rely on NAEP assessment performance to draw this conclusion – school letter grade data is too clustered to meaningfully differentiate; for more on this issue see the recent Heritage report, [From Mass Deception to Meaningful Accountability](#).

Since CSI's original reporting in 2023, district public school excess student capacity has increased an additional 3%. Today, based on the standards and inventory maintained by SFD, Arizona's school districts have 78 million *more* square feet than required based on their current enrollment levels. For reference, that is enough excess square footage for 630,000 high school students by Minimum School Facility Adequacy Guidelines Square Footage per Pupil.^{xxiv}

For context, annual capital expenditures by school districts reached \$1.9 billion² in 2024, and total K-12 spending in Arizona reached \$16.8 billion^{xxv}.

Selling just their excess space at office market rates could yield \$12.2 billion, covering nearly a decade of capital expenditures. Alternatively, eliminating maintenance and operational costs (at an estimated \$13 per square foot) for this space could save taxpayers and school districts \$1 billion annually – half of all reported capital expenses.

While facilities quality have likely improved due to increased capital funding, quality data is lacking. The School Facilities Division (SFD) monitors compliance with minimum standards but only reports – to CSI's knowledge - individual findings on an individual basis, not consolidated statewide data, trends or a "Facility Condition Index". Without robust data, quality improvements are assumed based on higher spending, but policymakers continue injecting new building renewal monies at their fastest pace likely ever despite the absence of an objective ongoing need.

The School Facilities Division and School Facilities Oversight Board are responsible for assessing and reporting on the condition of the state's District school facilities and ensuring compliance with minimum standards. And while it reports on the total number of violations found, understanding how minimum standards and inspection volumes have changed is difficult. CSI is forced for this report to assume that building quality is almost certainly improved, given the increase both in total capital funding available to schools and the dramatic increase in ongoing capital expenditures – presumably money spent financing, maintaining, and improving these new higher-quality capital assets.

FIGURE 11

Arizona District School Capital Revenue

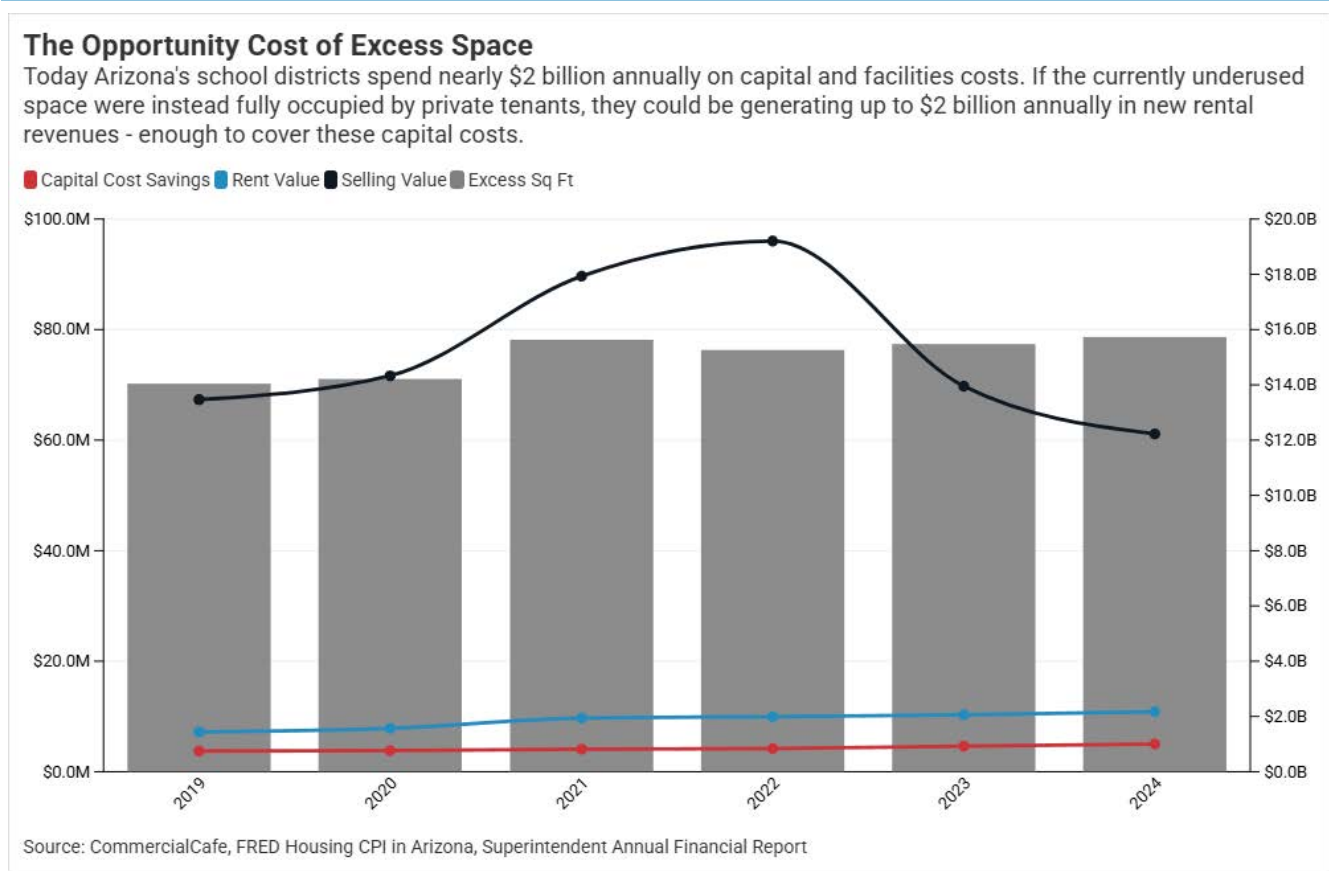
While the average school district in Arizona gets nearly 40% of its capital money from local sources, this varies substantially by district. Queen Creek – the fastest-growing larger district – only gets a fifth of its capital funding from local sources. Murphy Elementary – one of the fastest-shrinking – gets over 60% of its funding locally.

Fastest Growing Districts	2024 Enrollment	Unused Space	Per Pupil Capital Funding	Total Capital Funding	Local Share of All Capital Funding (5-yr. Avg)
Queen Creek Unified School District	13,784 (+87%)	3% (-74%)	\$5,104 (-2%)	\$70,359,619 (+84%)	20.78%
Nadaburg Unified School District	1,400 (+76%)	0% (-100%)	\$19,865 (+2483%)	\$27,811,677 (+4,444%)	50.52%
Saddle Mountain Unified School District	3,189 (+63%)	28% (-36%)	\$2,298 (+14%)	\$7,328,160 (+86%)	86.50%
Fastest Shrinking Districts					
Isaac Elementary School District	4,676 (-26%)	46% (+58%)	\$4,297 (+2107%)	\$20,093,297 (+1,538%)	9.96%
Glendale Elementary School District	8,604 (-27%)	33% (+94%)	\$1,567 (+185%)	\$13,483,523 (+108%)	20.40%
Murphy Elementary School District	1,050 (-31%)	53% (+67%)	\$1,483 (+47%)	\$1,557,529 (+2%)	60.92%
Arizona	859,519 (-5%)	33% (+18%)	\$2,220 (+77%)	\$1,907,816,013 (+67%)	38.35%

Source: Superintendent Annual Financial Reports • Capital funding includes the Unrestricted Capital Outlay Fund, the School Facilities Fund, the Adjacent Ways Fund, the School Plant Fund, and the Debt Service Fund.

²For purposes of this report, SAFR expenditures reported under Unrestricted Capital Outlay, Emergency Deficiencies Fund, Building Renewal, New School Facilities, Adjacent Ways, Debt Service, and School Plant are summed here as total district capital spending.

FIGURE 12



TRANSPORTATION RESOURCES ACCUMULATION

As of 2024, Arizona's 1,400 District schools operated 7,660 total vehicles (6,982 buses) to transport a reported 233,716 'eligible riders' and 859,519 enrolled District school students.^{xxvi} For context, five years ago school districts operated 7,397 vehicles (6,725 buses) to transport 423,518 'eligible riders' and 907,039 enrolled students. **While school enrollment has fallen 5% since the pandemic, the reported number of eligible students riding buses has fallen nearly in half.** There were 190,000 fewer eligible students riding school buses in Arizona during school year 2024 than 2019, and today there are two seats for every eligible rider in Arizona. The stark decline in ridership highlights the particularly acute need for reform in the states transportation system, given the high costs of these new and underused assets.

Over this same period annual transportation spending by Arizona school districts has risen 11.3%, to \$561.2 million. Notably this does not include the capital cost of acquiring new vehicles; that is tracked and reported as a capital expenditure and not included in ongoing transportation expenses as reported by the Auditor General. However, inventory reports filed by school districts with ADE reveal that average purchase price of new vehicles has risen a staggering 136% since 2019, to \$251,519 in 2024. Based on reported purchase prices, retirements, and inventory changes, CSI estimates that cumulative new-vehicle-related capital expenditures by District schools since 2020 probably exceed \$433 million.

These expenditures were fueled in part by the growth in state and local funding available to school districts over this period, but also by the deliberate involvement of the U.S federal government in local school district transportation decisions. In 2021, the "Bipartisan Infrastructure Law" signed by then-Pres. Biden earmarked \$5 billion over five years to replace existing and acquire new zero- and low-emission school buses under the *Clean School Bus Program*.^{xxvii} The "Inflation Reduction Act"

School Vehicles Accumulation



-189,802 (-45%)

Change in Eligible Riders
(2019-2024)

+257 (+4%)

Change in District Buses
(2019-2024)

+\$57.1M (+11%)

Change in District Statewide
Transportation Expenditures
(2019-2024)

+20.3M (+28%)

Change in Total Miles Driven
(2019-2024)

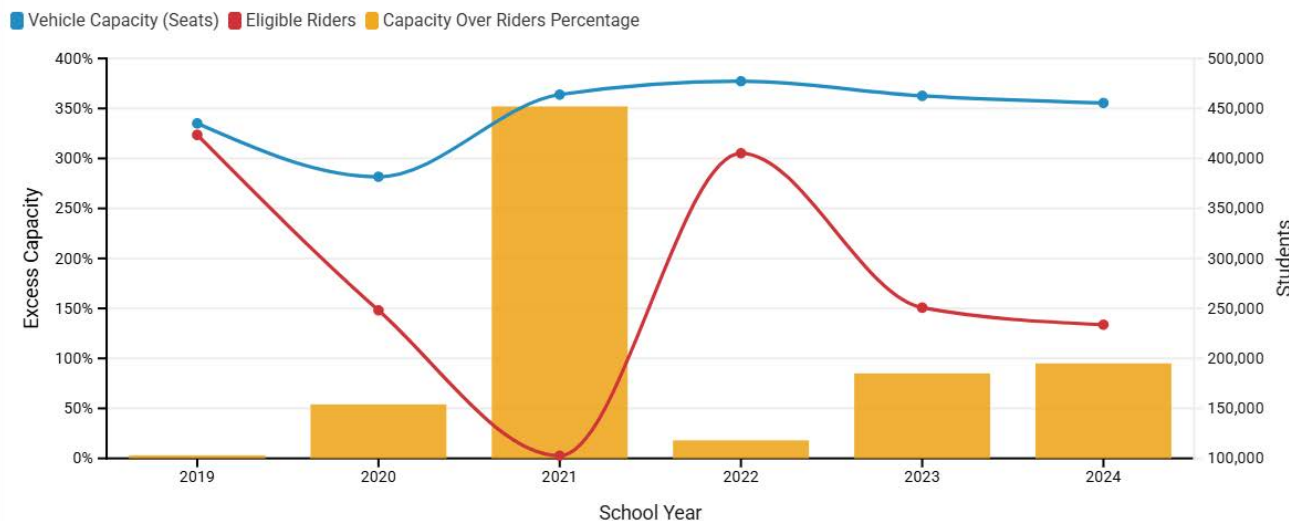
\$251,529 (+136%)

Avg. Vehicle Purchase Price
(2024)

FIGURE 13

School District Transportation Capacity Surplus

Since 2019 - even as enrollment and ridership have declined rapidly - district school have added more vehicles and vehicle capacity, and today are spending \$561M annually on reported transportation costs.



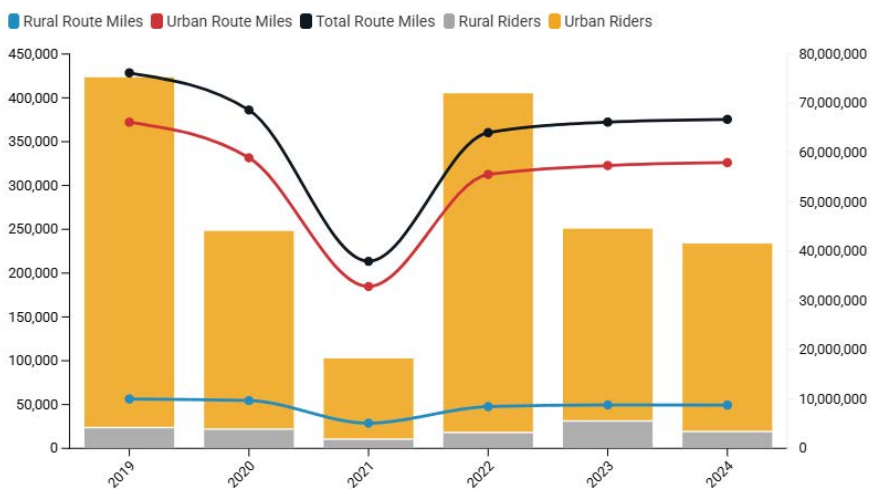
Source: Arizona Department of Education, Arizona Auditor General - During SY 2021, pandemic-related school closures temporarily depressed riders, but coincident with this was a massive injection of new capital and transportation funding.

in 2022 allocated an additional \$1 billion, at least partly for this purpose.^{xxviii} Arizona's pro rata share of funding would amount to about \$120 million. Ironically, because American school districts all received this money simultaneously, it was likely highly inflationary for the specialized and supply-constrained American school bus industry. The cost of a traditional school bus has probably increased about 50% over the last five years (from \$100,000 to about \$150,000 per vehicle)^{xxix xxx}; electric buses – adoption of which has tripled since 2021 and the purchase of which is heavily subsidized by the federal government – reportedly cost nearly \$400,000 per vehicle. Arizona's school districts report vehicle purchases annually to ADE; based on CSI's review of these reports, **average vehicle purchase prices have increased 140% since 2019 (from \$106,500 to \$251,500 in 2024).**

FIGURE 14

Rural & Urban Riders and Annual Miles Driven

Since the pandemic, there has been a growing divide between District School transportation resources and rider demand. The gap is driven by changes in Arizona's Urban areas.



Source: ADE District Transportation Reporting

As a result of the combined impact of changing demographic, enrollment, and student behavioral patterns since the pandemic, and funding and other incentives encouraging district schools to maintain and even expand their existing transportation models, there is growing gap between student needs and actual transportation resources available in Arizona. For example, rural students have always been disproportionately dependent on district transportation systems - in 2019, rural riders made up only 5.6% of all eligible school bus riders in the state, but rural routes composed 13.1% of all route-miles driven. Since then, rural riders have declined by 18.9%, and rural route miles driven have declined 12.2%. On the other hand, urban route miles driven have fallen a comparable 12.4%, *but urban riders have fallen 46.4% since 2019. As a result, urban miles driven per eligible rider are up over 63%*

over the past five years – to 270.3 urban miles per-rider-per-year. This is hugely inefficient and represents a relative resource shift away from rural students (most dependent on the school-bus transportation system and likely to have longer rides^{xxxi}) towards urban students – today school districts transport rural students just 1.7 miles for every mile of urban student transport, down from over 2.5 miles in 2019.

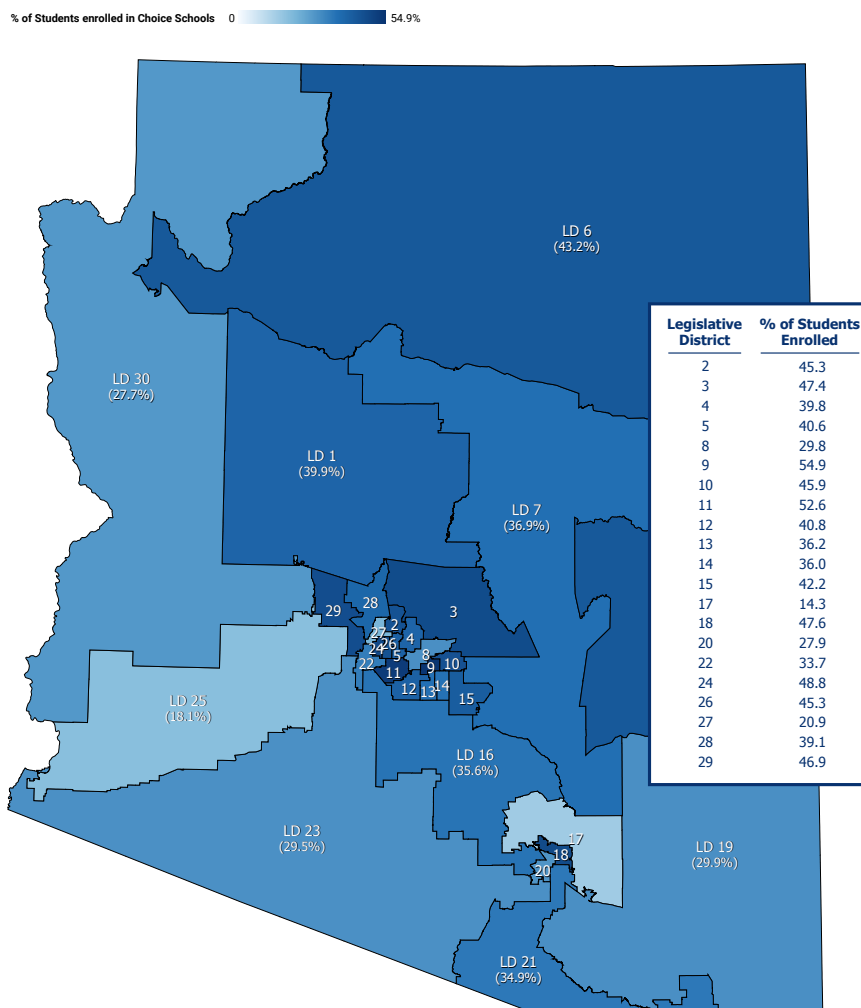
This over-concentration of resources in urban areas since 2020 is occurring just as an increasing number of students are choosing alternative schools, and those students are likely disproportionately residing in precisely the Urban areas that are under-utilizing existing and costly transportation infrastructure.

While precise breakdown of enrollment for choice students by urban versus rural status is not readily available to CSI, we were able to estimate the urban share of enrollment by type of school using a combination of enrollment and location data. For purposes of this analysis, we assumed all students enrolled at schools in Maricopa, Pima, and Pinal Counties were “Urban”, and all those enrolled elsewhere were “Rural”. While imperfect, this should be a reasonable approximation of actual statewide enrollment trends.

FIGURE 15

The Share of Arizona's K-12 Students Enrolled in 'Choice' Schools

Across Arizona, 38%-49% of Arizona's K-12 students are not attending their assigned District public school. These 'choice students' are open-enrolled or attending Charter, Private, or home- and micro-schools. This chart shows the relative share in each of Arizona's LD's.



Source: U.S. Census Bureau, Arizona Department of Education

This suggests that – as of 2023 – 82% of Arizona’s District students attended schools in urban areas, versus 92% of Charter and 83% of Private school students. Similarly, open-enrollment use varies by school district (sometimes dramatically), but appears more concentrated in urban and suburban parts of the state. Nearly all of these “choice” students use private transportation options to get to school; none of them are “eligible riders” for purposes of the state’s transportation funding formula. And because Charter and Private school sites are typically much smaller than traditional District school sites, they may never be a good fit for individually owned-and-operated school bus systems using the states legacy model, given the high cost of purchasing and operating these vehicles.

At least a third and by our prior estimates up to half of all Arizona K-12 students today are “choice” students. And that share is growing – probably fastest in parts of the state with the greatest concentration of District transportation resources, and the ones least utilized. Recall: since 2019, enrollment in District schools has fallen by more than 47,000 students and riders have fallen nearly in half. Over this same period, District schools purchased 3,098 new vehicles, and the number of seats available has grown 5% and transportation spending (*excluding vehicle purchase costs*) is up over 11%.

Student Safety & Learning

Although Arizona’s funding formula has – since 2022 – allowed district schools to use eligible ride-miles in smaller, non-traditional vehicles for purposes of capturing state funding formula dollars, most eligible ride-miles in Arizona still occur on traditional school buses. And while private and charter school operators would probably be much more likely to use transportation resources on alternative (smaller) vehicles and transportation options, they are much less likely to operate a general student transportation system and are ineligible for state transportation formula funding.

As a result, in 2024 91% of taxpayer-funded, district school vehicles were traditional buses – the same ratio as in 2019. Beyond being expensive to purchase, maintain, and operate, these assets may also make students more vulnerable from a safety and behavioral perspective. This is likely true even though buses are physical safer than cars or vans, in terms of crash survivability, and it is contextually important to remember that while physical injuries for K-12 students going to or from school are rare for vehicles of *all* types³, student behavioral issues created or exacerbated by the traditional school bus model can be much more prevalent.

³Based on national transportation safety data and Arizona K-12 enrollment and participation estimates, there are only approximately 2,000-2,500 estimated student-related vehicle accidents annually in Arizona – while there are ~1.2 million K-12 students in the state.

Relative Costs & Student Safety by Transportation Mode



\$0.24 / student-mile

Est. Effective Operating Cost,
Traditional School Bus
(2024)

High

Expected Relative Risk of Bullying
& Behavioral Issues, Traditional
School Bus

\$0.09-\$0.13 / student-mile

Est. Effective Operating Cost,
Carpool/Vanpool
(2024)

Low

Expected Relative Risk of
Bullying & Behavioral Issues,
Carpool/Vanpool

A 2018 survey of school transportation officials found that misbehavior and bullying were either “very common” or “common” on school buses.^{xxxii} A Canadian study found that male students, specifically, were much more likely to be victims of bullying via school bus travel compared to walking or biking to school^{xxxiii}; CSI has previously identified that Arizona’s K-12 boys today are less likely to graduate high school, receive lower test scores, less likely to proceed into a postsecondary environment, and are more likely to be convicted of a crime or involved with the justice system than their female counterparts^{xxxiv}. In general, it is estimated that up to 20% of all K-12 students are bullied on school property, and that about 10% of all incidents of bullying occur on school buses.^{xxxv} On the other hand, walking, public transportation, and private car use are likely associated with generally lower rates of behavioral problems, while having much lower operational costs.

Correspondingly, research suggests that how students get to school – and how long transportation takes – matters for learning outcomes. A 2024 study in Canada found a negative relationship between both bus-riding and commute time with student math and reading assessment performance.^{xxxvi} To the extent the commute time itself is causal, the school bus model – with indirect routes and many stops – takes the longest to get the students to and from school. Arizona-specific data is lacking, as behavioral and interpersonal student safety concerns are not currently reported; however, CSI’s review of media reporting found several instances of both physical and personal student safety issues here.

The district transportation model is expensive, slow to innovate, and serves an increasingly small proportion of total Arizona K-12 enrollment.

SCHOOL STAFFING GROWTH

In 2012, Arizona's 1,400 district schools employed 105,648 people to educate 898,000 students; in 2024, there were 108,330 people working to educate approximately 840,000 enrolled students. Since district school enrollment peaked, the number of teachers has fallen by 9.5%; classroom aides and instructional support staffing has grown about 8.6%, while administrative staffing has grown by 3.1%. Had the schools kept teaching staff flat over this period, declining enrollment alone would have reduced average Arizona class sizes by about 7%. Instead, class sizes are stable.

And since 2020, CSI estimates that the total wage and salary costs of district school employees have risen another 35%, reaching \$10.5 billion last year. While classroom employment has fallen about 1% over that time, administrative staffing has risen 6.7% in just the past five years – outpacing its growth over the previous decade (2010–2020). According to the Arizona Auditor General, the average class size decreased by 3.8% to 17.7 students per teacher since 2019, but maintaining or expanding teacher staffing with pandemic-era funding could have reduced class sizes further.

In addition to staffing changes, compensation has risen rapidly since the pandemic. In 2019, the average teacher salary in Arizona was \$52,441; in 2024, the value had increased to \$65,113 (+24.1%). And while average salaries for other positions are not readily reported, overall compensation costs are up significantly more than employment. However, the combination of smaller classrooms, higher teacher salaries, and more administrative and support staff has not improved student performance.

School Staffing Growth



108,330

District School Employees
(2024)

\$10.5B

District Salary & Benefit
Costs (2024)

+\$2.9B (35%-38%)

Est. Change in District Salary
& Benefit Costs
(2019-2024)

-5.2%

Change in District
Enrollment (2019-2024)

+6.7%

Change in District
Administrative Staffing
(2019-2024)

In fact, the percentage of Arizona students meeting proficiency standards in the NAEP assessments has declined 5% in the English Language exam since the pandemic, and (significantly) 25% for the Mathematics exam since 2019.

FIGURE 16

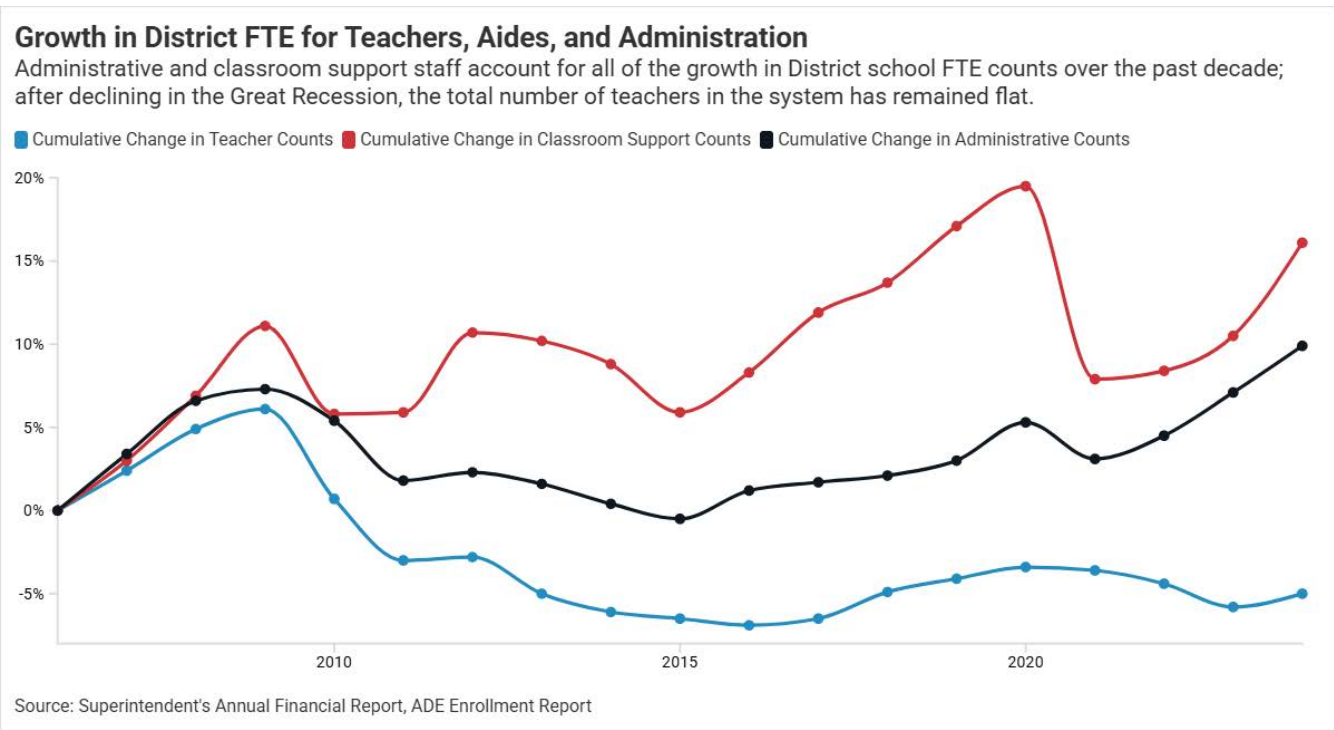
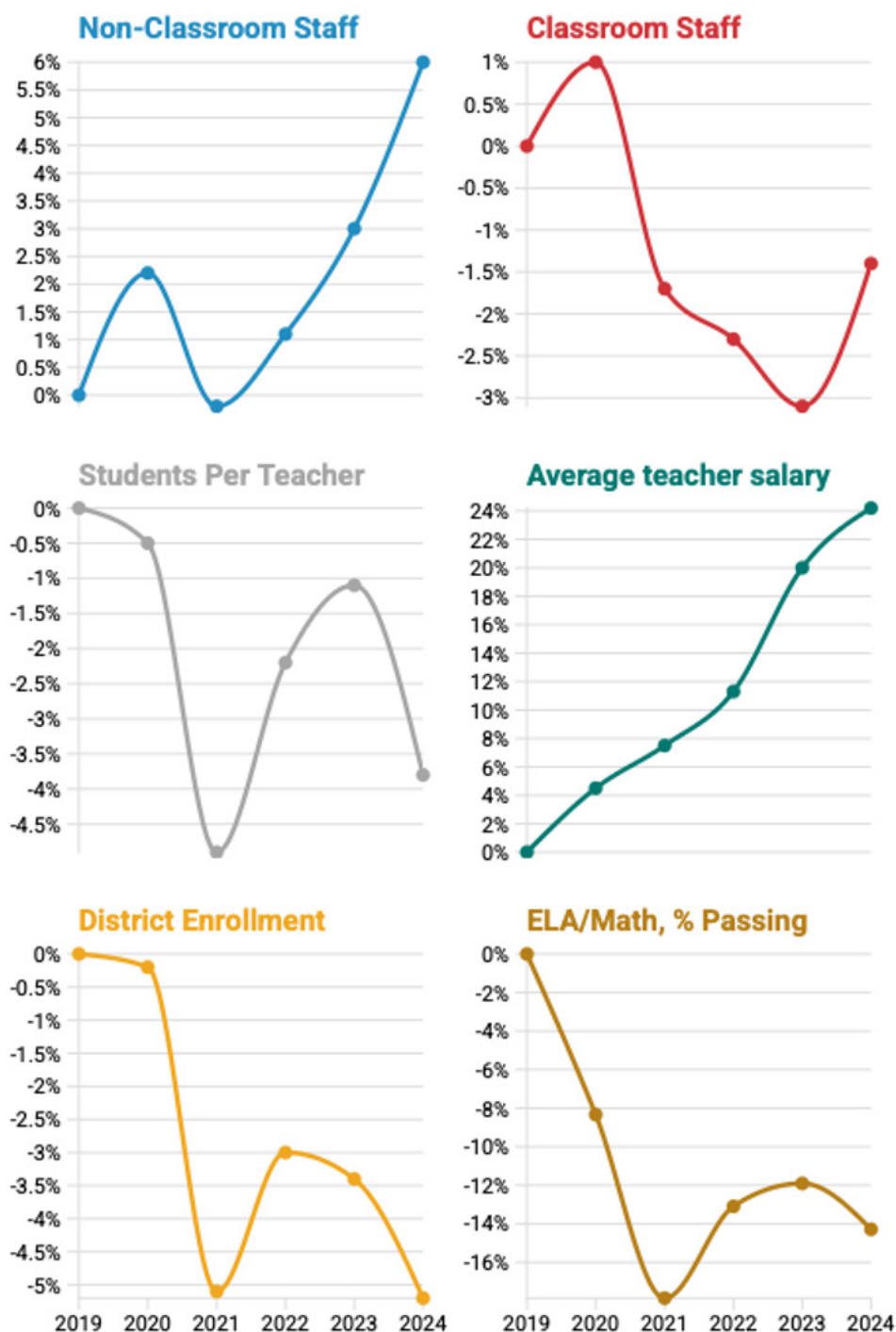


FIGURE 17

Percent Change Since 2019 in Staff, Teachers, Average Salary, Total Teacher Pay, District Enrollment, and Proficiency on ELA/Math



Source: Arizona Superintendent Report, Arizona Auditor General

POLICY RECOMMENDATIONS

Following the onset of the COVID-19 pandemic in 2020, Arizona's school districts operated under unprecedented conditions:

- **Enrollment sharply declined**, with district schools losing 50,000 students (nearly 6% of total enrollment) between the 2019-20 and 2020-21 school years, and many remaining students learning remotely.
- **Funding surged**. Between 2020 and 2022, Arizona's total K-12 funding increased by over \$2.3 billion (a 20% rise), fueled by federal aid, which nearly doubled from \$1.4 billion to \$2.8 billion.

This disconnect between shrinking enrollment and increasing financial resources led to significant asset accumulation. Districts expanded their vehicle and building inventories, while the quality and cost of these assets rose sharply. However, this funding surge proved temporary, while enrollment losses have continued-and are projected to worsen.

Since 2022, district schools have lost an additional 2,000 students, and are projected to lose another 10,000 in the upcoming school year. Total K-12 funding peaked at **\$16.8 billion in 2024**, a **40% increase** relative to pre-pandemic levels. But growth is slowing, and one-time federal aid is receding. Meanwhile, expensive pandemic-era acquisitions now impose growing operational and maintenance burdens on districts, even as they go increasingly underused.

Local district governance has not effectively managed these challenges. Absent state-level intervention, there is a risk of growing inefficiencies, diminished service equity, and reduced flexibility for Arizona's increasingly diverse and mobile student population.

To address these challenges, CSI Arizona recommends the following policy considerations:

- **Establish and regularly update a public "Facilities Condition Index", maintained by the School Facilities Division.** The Index should objectively rate the quality of school buildings and other capital facilities and assets on a fixed scale, published by school site and school district and available over time. Policymakers have provided unprecedented levels of state and federal support for new capital assets and existing capital improvements over the past five years, but there is no publicly available, digestible data speaking to what taxpayers have bought with that investment.

- **Require state oversight of severely underutilized facilities.** While the average school district in Arizona has capacity for nearly 50% more students than are enrolled, many have capacity for four or five times as many students as are currently enrolled, according to building inventory data. Districts today spend \$768 million annually on facilities and capital, up 67% in five years. A significant share of those costs are likely allocated to maintaining/improving unused and underused facilities. Lease agreements with growing schools, such as charter, private, micro-schools, or magnet-style schools operated by other districts, are a practical solution. But evidence suggests school districts are reluctant to support these kinds of relationships on their own.^{xxxvii} Childcare, early education centers, career and adult education programs, and similar are other logical uses of these facilities consistent with their design and purpose.
- **Expand student eligibility for district transportation services.** Right now, the state transportation funding formula only pays for eligible riders living and going to school within their assigned school district. As a result, districts grossly underutilize buses and vehicles – and costs continue to rise, since today's buses are more efficient, higher quality, and significantly more expensive than before the pandemic. Nearly half and growing of students are ineligible bus riders today. This expanded definition would open up more transportation options to a complete unserved population of open-enrolled, Charter, and private school students, while significantly increasing the state transportation funding available to school districts. This model has been in place for decades in states like Pennsylvania.
- **Modernize transportation and capital funding formulas to favor competition, innovation, and equity.** While Arizona's base per-pupil funding formula is equitable and competitive across all schools – district, charter, and private – this is not true of its capital or transportation funding systems. Capital and transportation funding is more-or-less exclusively available to district schools and district students (especially those attending at their assigned district school), and the allocation models are outdated, expensive, and inefficient. Smaller vehicles taking shorter routes are both safer and more efficient (especially for smaller school sites like charter and private schools), and come with much lower operating and acquisition costs.

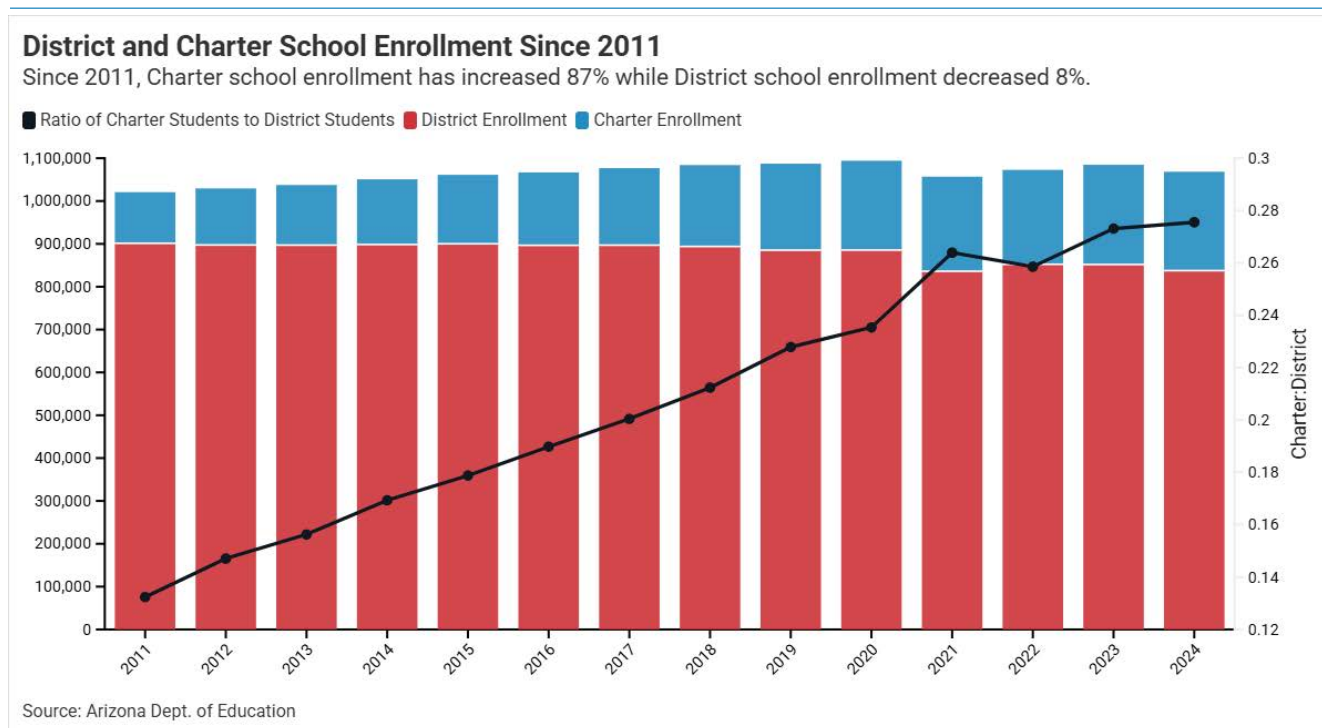
Current law and process incentivizes districts to use resources – especially one-time federal and state resources – to acquire capital assets, including real estate and vehicles. Because of structural and political constraints, they then are reluctant to divest of these assets, even if enrollment realities make that optimal for taxpayers. The commonsense reforms proposed above would shift the responsibility from elected local school officials, and onto a state oversight body, while aligning incentives. Given the state designs funding formulas, oversees all publicly funded K-12 systems, and provides significant funding, it has the means to ensure responsible investment and stewardship of K-12 resources for long-term student benefit. Particularly in districts suffering from declining enrollment or low performance.

THE BOTTOM LINE

Arizona's district school funding model, built for enrollment growth, is misaligned with the reality of declining enrollments and the post-pandemic popularity of school choice. Districts manage 12,439 buildings (78 million excess square feet, 67% capacity) and 7,660 vehicles, costing taxpayers \$1.9 billion in capital and \$561.2 million in transportation spending annually. Even between districts, resources are inefficiently allocated. Low-performing D/F-rated schools operate at 19% capacity, while A-rated schools reach 70%. Given 40% of incoming kindergarteners choosing charter or private schools (at 95% and 75% capacity), and half of all Arizona K-12 students are already in choice schools, the problem of district resource underutilization is going to keep getting worse.

The solution to-date has been more money, and more stuff. That isn't working and it isn't sustainable.

FIGURE 18



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