

FICTION: BECAUSE OF THE FLAT TAX ARIZONA HAS BEEN CUTTING EDUCATION SPENDING.

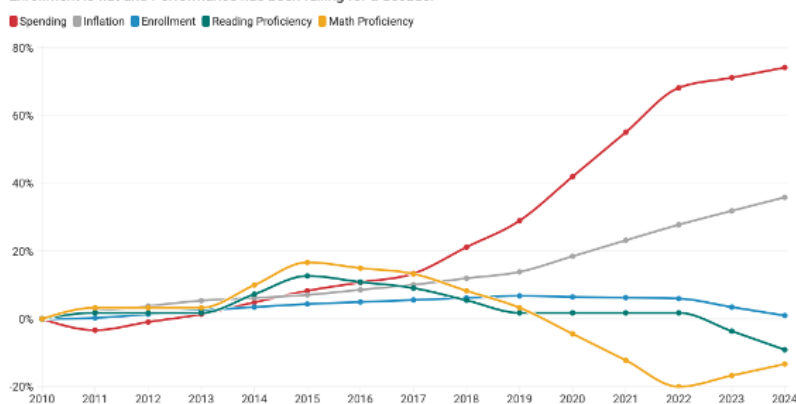
“The tax cuts in Arizona have been accompanied by spending cuts for public programs valued by businesses, such as education and transportation. The state’s business climate has suffered due to these expenditure cuts.”^{iv}

FACTS:

- Spending by Arizona’s K-12 Public Schools is up nearly 80% since 2010, enrollment is flat, and performance has been falling for a decade.
- Spending on education specifically since 2022– the year the Flat Tax was passed – has grown almost 14%.^v
- Arizona continues to invest in all types of education spending. For instance, since 2012, the State has allocated \$2.7 billion towards building renewal and new school facilities expenditures (the largest single-year investment ever).
- The COVID-19 pandemic altered education enrollment preferences in a profound way. Arizona public school enrollment is over 53,000 students below pre-pandemic projections. Because of funding formulas, fewer kids leads to less baseline

Why Are Public Schools Closing?

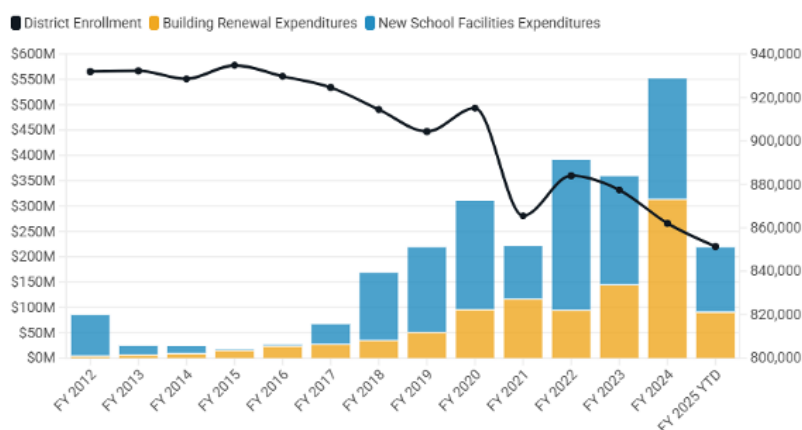
While Spending by Arizona’s K-12 Public Schools is up nearly 80% since 2010 (growing twice the rate of Inflation), Enrollment is flat and Performance has been falling for a decade.



Source: Arizona State Library, Arizona Department of Education, Joint Legislative Budget Committee • Cumulative growth figures in All Funding (District & Charter), total Enrollment, PCE Inflation, and NAEP 8th grade Math & Reading Proficiency shares.

State General Fund Spending for District School Capital

While enrollment in District public schools has been declining (-9% since FY12), state capital funding support for the District K-12 system has grown rapidly in recent years.



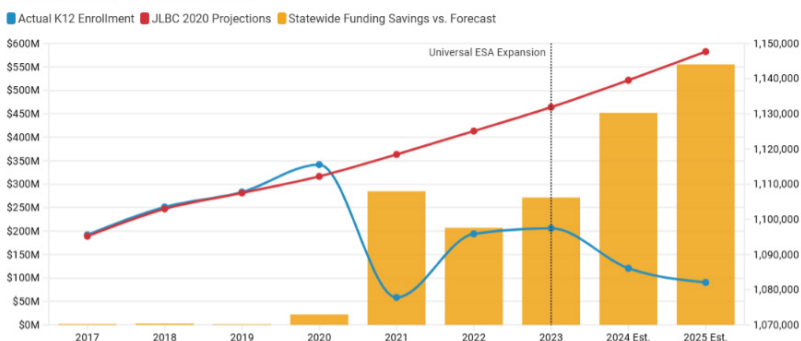
Source: Arizona Department of Education, Arizona Financial Transparency Portal • Between FY16 and FY24, combined

funding (approximately \$500 million annually), but policymakers have offset those reductions with discretionary funding increases.

- **\$15,100 per-student-per-year:** Arizona today spends more money per-pupil in public school than it ever has: over \$15,000. Even after accounting for the runaway inflation of the past two years, inflation-adjusted spending per student is up 30% since FY2016.^{vi}
- Had public school funding in Arizona grown only at the rate of enrollment and population since 2016, total funding today would be 21% less than it is – for an annual savings of over \$3.5 billion.^{vii}

Public School Enrollment Trends Since 2020

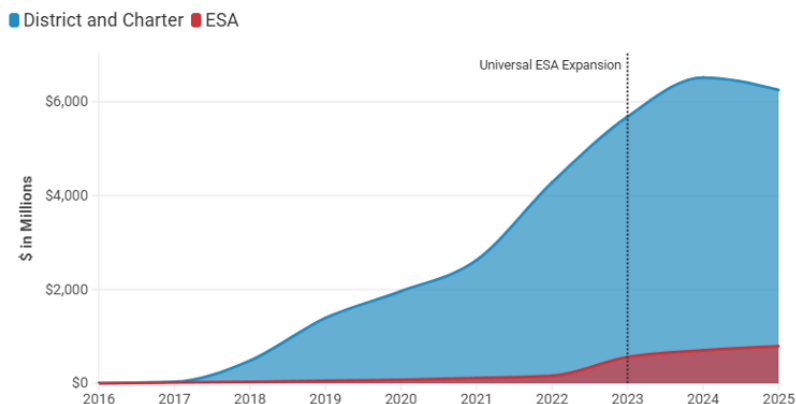
Arizona public school enrollment is over 53,000 students below pre-pandemic projections, saving nearly \$500M annually



Source: JLBC K-12 Funding Report, JLBC FY2021 Baseline Book, JLBC FY2025 Baseline Book • CSI imputes an FY24 Enrollment forecast given three-year projections in the FY21 Baseline book.

K-12 Cumulative Funding Increases FY2016-FY2025

The vast majority of K-12 funding increases have gone towards Arizona public schools. The expansion of the ESA program accounted for only 7.5% of those cumulative increases.



Source: JLBC K-12 All Funding, JLBC Appropriations Reports, ESA Program Quarterly Reports

BOTTOM LINE

Arizona continues to invest in its future on many fronts, including by implementing a flat tax to draw in economic growth for future generations and investing in education. The State's financial commitment to education has continued to grow since passage of the flat tax and even though district enrollment is declining.