



UNITED STATES DEPARTMENT OF EDUCATION

December 27, 2022

The Honorable Kathy Hoffman
Superintendent of Public Instruction
Arizona Department of Education
1535 West Jefferson Street
Phoenix, AZ 85007-320

Dear Superintendent Hoffman:

The U.S. Department of Education (Department) received your written plan for a reasonable level of tolerance when calculating whether the Arizona Department of Education (ADE) has met State maintenance of equity requirements under the American Rescue Plan Act of 2021 (ARP Act). This written plan applies only to a subset of Arizona's local educational agencies (LEAs).

The ARP Act State maintenance of equity requirements help ensure that State funding supports the students in LEAs with high concentrations of poverty who have often been subject to longstanding opportunity gaps in our education system and have also experienced the greatest impact from the COVID-19 pandemic. Moreover, the ARP Act State maintenance of equity requirements are vital for ensuring that States maintain funding to address the impact of the pandemic on students' education, and for protecting students in high-poverty LEAs from disproportionate cuts if reductions in State effort do occur.

The Department determined that it is consistent with the State maintenance of equity requirements to allow a State educational agency (SEA) to calculate whether it has maintained equity with respect to its very small high-need and highest-poverty LEAs within a reasonable "tolerance level." The Department's determination is based on the possibility of significant volatility in the calculated per-pupil funding amounts for very small LEAs caused by small changes in student enrollment, which may be unrelated to whether an SEA has achieved the intent to maintain equity in funding. (See *Frequently Asked Questions, American Rescue Plan Elementary and Secondary School Emergency Relief Program, Maintenance of Equity Requirements*, July 26, 2022, Question 21(a).)

ADE considers LEAs with Average Daily Membership (ADM) of fewer than 100 students to be "very small LEAs." Under this proposed threshold, Arizona has 112 such LEAs. The State's equalization formula provides add-on funding of up to \$37,949 per student for qualifying special education needs. According to ADE, the gain or loss of this add-on funding as students with qualifying needs enroll and withdraw in very small LEAs may distort year-to-year per-pupil funding comparisons and confound determinations of whether ADE has maintained equity for these LEAs. For example, for one very small LEA, the ADM of students receiving add-on funding decreased by 2.8, but the LEA's total funding was reduced by almost \$60,000 or over

\$1,100 per pupil. For its 112 very small LEAs, ADE proposes to implement a tolerance of up to a 5 percent decline in per-pupil funding. ADE states that, combined, its very small LEAs make up 17.6 percent of all LEAs in the State and educate .6 percent of the total State ADM.

After reviewing ADE's tolerance proposal, including the data submitted, the unique circumstances in the State, and our further State-specific analysis, we have determined that this approach includes a reasonable level of tolerance when calculating whether ADE has maintained equity for very small LEAs.

We appreciate your diligence in developing this proposal. If you have any questions, please contact your program officer at: Arizona.OESE@ed.gov.

Sincerely,

Laura Jimenez

Laura Jimenez
Director, Office of State and Grantee Relations
Office of Elementary and Secondary Education
United States Department of Education