



Proposition 123

Frequently Asked Questions

What is Proposition 123?

Proposition 123 is a referendum that will ask Arizona voters to increase K-12 school funding. If the Proposition is passed, it will infuse \$3.5 billion over 10 years into the K-12 education system.

Where will the funding come from?

The majority of funding will come from the increased payout from the State Land Trust (from 2.5% to 6.9%) via Proposition 123. In addition, \$625 million will come from the state's general fund (\$50 million for five years and \$75 million for the next five years).

What is the State Land Trust?

When Arizona became a state, Congress granted land to the state that are managed for the purpose of generating revenue primarily for K-12 education. It serves as a long-term savings account for Arizona education. Right now 2.5% of the proceeds are given to K-12 education; Proposition 123 proposes to increase that to 6.9% for ten years.

Why is Proposition 123 important?

The passage of Proposition 123 will provide much needed funding to support Arizona schools, which took one of the worst cuts to per pupil funding during the recession. It is the first step towards a long-term, sustainable and dependable funding plan for K-12 education. It will settle the 5-year inflation funding lawsuit and will guarantee annual inflation adjustments to school funding.

When will schools receive funding?

If passed, schools will receive funding in June.

Are there restrictions on how schools can use the funding?

No. Schools decide how to use the funding they receive. There are no strings attached to the funding.

Is there any difference in funding for public district schools or public charter schools?

No. There is no difference in the amount of funding that public district or charter schools will receive. They all receive the same amount per pupil that will be distributed through the funding formula.

How are schools planning to use the funding? Can I be involved in that process?

Many schools are developing their plans now for how they plan to use the funding. Many are planning to use the funds to support teachers. If you would like to be involved in this process, you can attend your local school board's meetings where they will be discussing their proposed budgets.

Will this solve Arizona's education funding issues?

Proposition 123 is one step towards a long-term, sustainable and dependable funding plan that is needed for Arizona education from the early years through college and career. We believe that other steps in the future should include increasing teacher pay, updating and renewing Proposition 301, restoring funding to our universities and community colleges, ensuring all children can read proficiently by the end of 3rd grade, and restoring Career and Technical Education funding.

How did Arizona get into this situation?

Arizona voters passed Proposition 301 in 2000 that includes a 0.6 percent sales tax to support education. It included a measure that requires inflation to be included in the budget each year. However, during the recession, inflation was not funded, which resulted in a lawsuit in 2010. After years of the lawsuit, the parties reached a tentative agreement in fall 2015 which was presented to legislators during a Special Legislative Session in October 2015. As a result of the Special Session, legislation was passed to increase education funding from the general fund, to hold a special election, and to ask voters to consider increasing the payout from the State Land Trust, which is now known as Proposition 123.

What do the triggers in Prop 123 do?

There are contingencies in the Proposition language to protect the State Land Trust and the general fund. If the contingency plans are ever needed, the Base Level amount will still be reset to account for inflation. The triggers do the following things:

- Permits the Proposition 301 inflation factor to be suspended for any fiscal year that Transaction Privilege Tax (TPT) and employment growth are between one and two percent. Mandates that the Proposition 301 inflation factor be suspended if TPT and employment growth are less than one percent.
- Allows the Legislature, beginning in FY 2026, to suspend inflation payments and reduce K-12 funding if K-12 accounts for at least 49 percent of state General Fund spending. Stipulates that if it is 49 percent, the Legislature will be able to reduce K-12 spending by the amount that it was inflated in the prior year and if it is 50 percent or more of state General Fund spending, then the Legislature may reduce spending by twice the inflation amount from the prior year.

What happens if Proposition 123 is not passed?

If Proposition 123 is not passed, schools will not receive this funding and the inflation funding lawsuit will continue, likely for years.