

Fiscal Note

BILL # HB 2741

TITLE: CTEDs; fourth-year funding

SPONSOR: Udall

STATUS: As Amended by House ED and House APPROP

PREPARED BY: Patrick Moran

Description

As amended by House Education, the bill allows a Career Technical Education District (CTED) to include 9th grade pupils and recent high school graduates in its Average Daily Membership (ADM) count if they were enrolled in programs addressing "in-demand" jobs. A CTED's 9th Graders are eligible only if they remain enrolled in an approved CTED program through the 40th day of their 10th Grade year. A recent graduate is eligible only if they have not already received four years of Basic State Aid (BSA) funding at a CTED. The bill also allows students in CTED internship courses to be included in CTED ADM counts for the first time.

Estimated Impact

The bill would increase state General Fund costs for BSA by an estimated \$8,475,100 in FY 2021 and subsequent years. This assumes that CTED ADM would increase by 1,356 statewide, including 1,023 9th Grade ADM, 100 recent graduate ADM, and 233 internship ADM.

The Arizona Department of Education (ADE) does not have a fiscal impact estimate for the bill.

Analysis

The bill's fiscal impact would depend on the following factors: 1) the number of 9th Grade pupils and high school graduates that would be added to CTED's ADM counts under it, and 2) the ADM increase that would be associated with allowing CTEDs to include internship students in their ADM counts.

CTED 9th Graders

An estimated 34,500 9th Grade pupils currently attend CTEDs statewide on a "headcount" basis. ADE reports that this translated to approximately 6,400 ADM in FY 2019, since most 9th Grade pupils attend CTEDs part-time. The 6,400 9th Grade ADM pupils currently do not generate Basic State Aid funding for CTEDs because current law excludes 9th Graders from a CTED's "fundable" ADM count.

HB 2741 would make CTED 9th Graders eligible for BSA funding retroactively during their 10th Grade year if the CTED programs they attended in 9th Grade addressed "in-demand" jobs and they remained enrolled in a CTED program through at least the 40th day of their 10th Grade year.

CTED representatives estimate that approximately 15,800 of the 34,500 estimated CTED "headcount" 9th Graders (47%) currently attend programs that would address "in demand" jobs under the bill. They also estimate that 34% of CTED 9th Graders typically remain enrolled in a CTED program through at least the 40th day of their 10th Grade year.

Under these assumptions, the bill would add an estimated 1,023 9th Grade pupils to the statewide ADM count (6,400 "unfunded" 9th Grade CTED ADM currently X 47% in "in-demand" programs X 34% persist in CTEDs through the 40th Day of Grade 10 = 1,023 ADM).

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CTEDs will receive an estimated \$6,250 per pupil under the BSA formula in FY 2021, on average. The bill therefore would increase BSA costs for CTED 9th Graders statewide by an estimated \$6,393,800 in FY 2021 (1,023 estimated ADM increase X \$6,250 per ADM pupil = \$6,393,800). The actual increase would be less if fewer than 47% of affected students attended "in-demand" programs and fewer than 34% remained in a CTED program through the 40th Day of the 10th Grade year, and vice versa. The actual cost also could be more if CTE programs recruited additional 9th Grade students into the affected programs under the bill since BSA funding would now be available for them.

High School Graduates

The bill allows high school graduates to be included in a CTED's ADM in the school year immediately following their graduation if they have not already received CTED BSA funding for 4 years.

CTED representatives estimate that approximately 250 recent high school graduates currently attend CTEDs statewide and that roughly 100 would be considered in "in-demand" programs under the bill. Under these assumptions, this part of the bill would increase statewide BSA costs by an estimated \$625,000 in FY 2021 (100 eligible recent high school graduates X assumed \$6,250 BSA average per ADM for CTEDs statewide for FY 2021 = \$625,000).

Internship Students

The bill also allows students in CTED internships to be included in a CTED's ADM count for the first time. ADE reports that 466 internships were reported by CTEDs statewide for FY 2019 and that internship students enrolled for 62 hours per week for five days per week. This would translate to 233 ADM if the internships were split equally between fall and spring semesters, each fall internship generated 0.9 ADM (because it occurred during 90 of the 1st 100 days of the school year), and each spring internship generated 0.1 ADM (because it occurred during only 10 of the first 100 days of the school year) (466 X .5 X .9 = 210 ADM; 466 X .5 X .1 = 23 ADM; 210 + 23 = 233 ADM). This would increase BSA costs by an estimated \$1,456,300 in FY 2021 (233 additional ADM X assumed \$6,250 BSA average per CTED ADM for FY 2021 = \$1,456,300).

Total Estimated Impact

Under the above analysis, the total estimated state fiscal impact of the bill would be \$6,393,800 for 9th Graders + \$625,000 for recent high school graduates + \$1,456,300 for internship students = \$8,475,100.

Local Government Impact

None, since the 5 cent Qualifying Tax Rate (QTR) for CTEDs pursuant to A.R.S. § 15-393F is already fully utilized and would not change under the bill.

2/20/20