

BILL # HB 2700

TITLE: JTEDs; omnibus

SPONSOR: Anderson

STATUS: House Engrossed

PREPARED BY: Steve Schimpp

FISCAL ANALYSIS

Description

The bill makes numerous changes to laws pertaining to Joint Technological Education Districts (JTEDs), including the following with a potential fiscal impact: 1) caps combined Average Daily Membership (ADM) for a pupil who attends both a charter school and a JTED at 1.5 versus 1.0 currently; 2) establishes new funding criteria for JTED courses; 3) caps ADM for each pupil attending JTED "satellite" programs at 1.5 versus 1.25 currently; 4) prohibits ADM funding for 9th Graders in JTED Career Exploration courses; 5) caps JTED local property tax rates at 5¢ per \$100 of Net Assessed Valuation, except for bonding, adjacent ways, excess utilities and prior year tax undercollections; and 6) stipulates that a pupil who attends a daily 150 minute course at a centralized JTED campus shall count as being 0.75 ADM.

Estimated Impact

The bill has 2 primary potential costs, which pertain to possible higher ADM counts for 1) charter school pupils who also attend JTEDs and 2) pupils in JTED satellite programs. While few charter school students currently attend JTEDs, the first cost will depend on how much new JTED enrollment is generated by the formula change. The second cost could be substantial, since about 11,000 ADM pupils currently attend JTED satellite programs and a portion of those pupils would be funded at twice the current rate under the bill. Data required to estimate the latter cost (the number of pupils affected by the current 1.25 ADM cap for satellite pupils), however, are not currently available. The bill also potentially could generate some offsetting savings due to increased funding criteria for JTED courses and a prohibition on 9th Grade ADM funding for JTED Career Exploration courses. Unlike the formula changes associated with the potential new costs, however, these offsetting savings are dependent on how the bill is implemented and on how JTEDs respond to changing incentives under the bill, both of which are highly uncertain.

The FY 2007 JLBC Baseline assumes continuation of a temporary JTED funding ceiling from FY 2006. That ceiling would limit a JTED's FY 2007 Basic State Aid (BSA) to what it received in FY 2006 or double its Qualifying Tax Rate (QTR) revenues for FY 2007, whichever is more. HB 2700 does not address this issue. If the bill is in lieu of that funding ceiling, state JTED costs would be an estimated \$15 million greater than anticipated prior to assessing the impact of this bill. If the temporary funding ceiling is retained for FY 2007, any of HB 2700's costs would be deferred to FY 2008.

The Department of Education (ADE) does not have a fiscal impact estimate for the bill. It indicates, however, that the bill would increase its administrative costs, but does not have a fiscal impact estimate for those expenses.

Analysis

A description and analysis of various aspects of the bill appear below.

Charter School Pupils

The bill would cap the ADM count for a charter school pupil who also attends a JTED at 1.5 versus 1.0 under current law. The state fiscal impact of this change potentially could be small because ADE estimates that only about 50 pupils currently attend both a charter school and a JTED. This participation rate, however, would be expected to increase under the bill because it would no longer require charter schools to share 1.0 ADM of funding for their pupils who also attend a JTED. The cost of this provision, therefore, would depend on its effect on JTED participation rates for charter pupils. If 10% of charter school pupils in Grades 9-12 attended a JTED satellite program for 2 hours per day because of the bill, for example,

statewide ADM would increase by roughly 1,750 pupils (35,000 charter school pupils in Grades 9-12 X 10% X 0.5 ADM = 1,750 ADM increase) and state costs would increase by roughly \$8,750,000 (1,750 ADM increase X \$5,000 estimated average Basic State Aid cost per JTED ADM pupil for FY 2007 = \$8,750,000).

Satellite ADM

HB 2700 would cap ADM for individual JTED “satellite” pupils at 1.5 versus 1.25 currently. This would allow a pupil who attends at least 4 hours of non-JTED courses and 2 hours of JTED satellite courses daily to count as being 1.5 ADM pupils total (1.0 ADM for their high school and 0.5 ADM for their JTED) versus 1.25 ADM pupils currently (1.0 ADM for their high school and 0.25 ADM for their JTED). (Current law permits a high school pupil to be counted as 1.0 ADM if they attend school for at least 4 hours per day. If such pupils likewise attend a JTED satellite program for 2 hours per day, they also generate 0.25 ADM for their JTED, but this would increase to 0.5 ADM under the bill.) This change would double JTED ADM and funding for any satellite pupil who currently attends both 4 hours of non-JTED courses and at least 2 hours of JTED courses daily. The ADM change that would occur under this provision is unknown because data on hourly attendance patterns for JTED satellite pupils are not currently available. If JTED satellite ADM grew by 10% under the bill, however (for example), state JTED costs would increase by an estimated \$5.5 million (11,000 current satellite ADM X 10% X \$5,000 average Basic State Aid per JTED ADM = \$5.5 million).

Course Funding Criteria

The bill would establish new funding criteria for JTED courses, such as limiting them only to ones that require a passing score on an exam that demonstrates a level of skill or competency that is accepted by a vocation or industry. It is not possible to provide a data-derived estimate of the ADM impact of the new course requirements, however, because ADE does not currently collect data on some key measures of those requirements and because the extent to which JTEDs would modify current courses to meet the new funding criteria is unknown. In addition, ADE indicates that it normally would need substantial lead time in order to establish and issue guidelines for new course requirements (particular with regard to exit exams), which potentially could delay implementation of that portion of the bill until FY 2008. Furthermore, ADE indicates that Career and Technical Education (CTE) programs are scheduled to undergo substantial structure and classification changes starting in FY 2007 apart from the bill and that those changes would affect how individual CTE programs measured up against the new course requirements in it. As a result, the state savings from this portion of the bill, though potentially substantial, is highly uncertain. If 10% of current JTED courses were deemed ineligible for funding under the new criteria, however (for example), the state savings would be approximately \$6.5 million (13,000 current JTED ADM X 10% X \$5,000 = \$6,500,000).

Career Exploration

HB 2700 would prohibit ADM funding for 9th Grade pupils in JTED Career Exploration courses. Currently, 9th Graders account for about 25% of all JTED pupils, which suggests that this portion of the bill potentially could reduce statewide JTED ADM by 25% (depending on the proportion of JTED 9th Graders who currently are in “Career Exploration” versus more advanced CTE courses). As noted above, however, ADE indicates that CTE courses will be restructured starting in FY 2007. If this occurs, ADE expects the proportion of 9th Grade JTED pupils in “Career Exploration” versus “Career Preparation” courses to decrease, which would reduce the savings that otherwise would occur from this portion of the bill. The net savings would depend on changes in “Career Exploration” enrollment patterns for 9th Graders under the new CTE course structure, which, in turn, would depend on local policy decisions regarding the placement of 9th Graders in CTE courses under the new structure. Uncertainty regarding those 2 factors makes it difficult to estimate a savings for this portion of the bill. If ADM for 9th Grade pupils in JTED courses decreased by 10% under the bill, however (for example), state costs would decline by an estimated \$1.6 million (3,250 current 9th Grade JTED ADM X 10% X \$5,000 per ADM = \$1,625,000).

Property Tax Cap

The bill prohibits a JTED property tax rate above 5¢ per \$100 of Net Assessed Value except to provide funding for bonds, adjacent ways, excess utilities, and prior year tax undercollections. This change would not have a state fiscal impact because JTED property taxes are funded totally at the local level, since A.R.S. §15-393(F) requires them to be “secondary” in nature and only “primary” property taxes qualify for Homeowner’s Rebate funding from the state.

150 Minute ADM

The bill stipulates that a pupil who attends a 150 minute daily course at a centralized JTED campus shall count as 0.75 ADM. This would be 0.25 ADM higher than the 0.5 ADM level that the Office of the Auditor General indicated as being required under current law in its December 2004 JTED report. Current practice, however, funds these students at 0.75 ADM, so this portion of the bill would not have a fiscal impact relative to current practice. Relative to current law, findings in the Auditor General report suggest that state costs would increase by about \$2.3 million.

ADE Costs

Preliminary feedback from ADE indicates that the agency would need additional resources in order to implement the bill. This would include funding to 1) develop guidelines for evaluating JTED courses under the bill, 2) provide in-service regarding these requirements, 3) develop a data reporting and management system for monitoring compliance, and 4) provide ongoing monitoring. The department does not currently have a cost estimate for these functions. The bill does not appropriate additional resources to ADE for bill implementation.

Temporary Funding Ceiling

As noted above, the bill does not address continuation of the current temporary JTED funding ceiling. The FY 2007 JLBC Baseline assumes continuation of a temporary ceiling on state JTED costs from FY 2006 and assumes that those costs would be approximately \$15 million higher in FY 2007 without the ceiling. If the bill is in lieu of that funding ceiling, state JTED costs would be an estimated \$15 million greater than anticipated prior to assessing the impact of this bill.

The \$15 million estimate is the sum of the \$9,000,000 approximate savings that is occurring for FY 2006 under the current ceiling according to ADE plus an estimated \$4,000,000 for Paradise Valley Unified and \$2,000,000 for Flagstaff Unified to join their respective JTEDs in FY 2007 if the current ceiling is not extended. It also assumes no acceleration of "satellite conversions" (which qualify former non-JTED courses for JTED funding) for school districts that already are JTED members. A.R.S. § 15-395 requires school districts that wish to join an existing JTED to receive voter approval to do so during an election held in November of the prior year. Flagstaff Unified received voter approval in November 2004 to join a JTED in FY 2006, but was precluded from doing so by the ceiling on JTED growth for FY 2006 from Laws 2005, Chapter 294. Paradise Valley Unified received voter approval in November 2005 to join a JTED in FY 2007, but would be precluded from doing so in FY 2007 under an extended ceiling. No school district other than Paradise Valley sought voter approval in November 2005 to join a JTED in FY 2007 according to feedback obtained from county school superintendents during a December 2005 phone survey by the JLBC Staff. Only Flagstaff Unified and Paradise Valley Unified therefore would be expected to join a JTED in FY 2007 even if the current prohibition on "joinings" from Laws 2005, Chapter 294 was not continued.

Local Government Impact

The bill potentially would reduce the JTED property tax rate for 2 JTEDs that currently have a property tax rate of more than 5¢ per \$100 of Net Assessed Value apart from exceptions allowed in the bill for bonding, adjacent ways, excess utilities, and prior year undercollections. (For FY 2006, VACTE has a tax rate of approximately 6¢ per \$100 of Net Assessed Value, with the additional 1¢ generating about \$84,000, and NATIVE has a tax rate of approximately \$1.20, with the additional \$1.15 generating about \$826,000.) The bill also potentially would either increase or decrease state funding to JTEDs depending on whether it eliminates a funding ceiling assumed in the FY 2007 JLBC Baseline and on various timing and implementation issues for the bill.