

Fiscal Note

BILL # SB 1363

TITLE: empowerment scholarship accounts; expansion; funding

SPONSOR: Murphy

STATUS: As Introduced

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Description

SB 1363 expands the empowerment scholarship account (ESA) program authorized in A.R.S. § 15-2401 to allow participation by kindergartners who meet existing eligibility requirements other than the requirement of having attended public school full time in the prior year or having received a “displaced or disabled” scholarship in the prior year pursuant to A.R.S. § 43-1505. In addition, the bill increases ESA funding for pupils who previously attended charter schools by incorporating charter school “Additional Assistance” into the ESA funding formula for such students. SB 1363 also caps through 2019 the number of new ESA scholarships that may be approved by the Arizona Department of Education (ADE) each year at an amount equal to 0.5% of total prior year public school enrollment.

Estimated Impact

The bill would not have a fiscal impact in FY 2014 because of existing application deadlines. In FY 2015 it would increase state costs for funding ESAs for former charter school pupils by an estimated \$100,000. It also could either increase or decrease Basic State Aid costs for kindergartners in FY 2015, depending on the number and characteristics of kindergartners who entered the ESA program that year. The net fiscal impact of the bill for FY 2015, therefore, is unknown.

The Arizona Department of Education (ADE) anticipates that the bill would be roughly cost neutral.

Analysis

Aspects of the bill that could affect state costs include kindergarten eligibility, Additional Assistance funding and caps on program growth.

Background

The ESA program provides each eligible K-12 student with an account for funding education costs outside of public schools. Monies are transferred into the account by ADE pursuant to A.R.S. § 15-2402C and must be spent on items such as private school tuition and fees pursuant to A.R.S. § 15-2402B4. The program began in FY 2012, when it served approximately 130 students and distributed \$1.6 million. Currently (in FY 2013) it is serving 302 students and will distribute an estimated \$5.2 million.

The ESA program currently is limited to students who either have a disability, are the child of an active duty military parent or guardian, are a ward of the juvenile court with a case plan for adoption of permanent guardianship, were a ward of the juvenile court who achieved permanency through adoption or permanent guardianship, or are attending a “D” or “F” public school. Additionally, students currently either must have attended public school full time during the prior year or have received a “displaced or disabled” scholarships pursuant to A.R.S. § 43-1505 unless they are a continuing ESA student.

A.R.S. § 15-2401 currently funds a pupil’s ESA account annually at an amount “equivalent to 90% of the base support level (BSL) prescribed in A.R.S. § 15-943 for that particular student” (A.R.S. § 15-2402C). The “90% of BSL” amount currently ranges from approximately \$3,500 - \$26,000 for students with special needs (depending on their disability and grade level) and \$1,700 to \$3,200 for pupils without disabilities.

Kindergarten eligibility

The bill makes Arizona kindergartners eligible for an ESA as long as they meet all current eligibility criteria other than the requirement that they either have attended public school full time in the prior year or have received a “displaced or

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disabled” pupil scholarship. This fiscal impact of this part of the bill would depend on the extent to which new kindergarten participants in ESAs otherwise would have attended public or private schools apart from the bill and on their disability classification.

A highly disabled student who otherwise would have attended public school, for example, could reduce state costs by up to \$2,900 because their ESA funding would be only 90% of the roughly \$29,000 in BSL funding that otherwise would have been provided to their public school. (Highly disabled pupils receive substantially more funding per pupil under the Basic State Aid formula.) A non-disabled student (such as from a “D” school) who otherwise would have attended private or home school, on the other hand, would *increase* state costs by approximately \$3,200 (90% of the BSL average for non-disabled pupils), since apart from the ESA program they would not have received any state funding. The mix and characteristics of kindergartners who would enter the ESA program under the bill are unknown. It therefore is unclear whether this aspect of the bill would result in a net state cost or savings.

Additional Assistance funding

Currently ESA funding per pupil is the same regardless of whether a pupil previously attended a school district or charter school. The bill would increase ESA per pupil funding for former charter school pupils by adding charter school “Additional Assistance” to the ESA formula. This would increase ESA funding to former charter school pupils by approximately \$1,600 per pupil (90% of the average “Additional Assistance” amounts defined in A.R.S. § 15-185B3) and increase total ESA costs by an estimated \$100,000. The \$100,000 estimate assumes that the ESA program would grow to 400 pupils in FY 2015 (versus 302 currently) and that 15% would be former charter school pupils (the projected statewide average for public schools statewide for FY 2015) (400 pupils X 15% from charters X \$1,600 increase per pupil ≈ \$100,000).

The estimated \$100,000 cost potentially could be offset by increased ESA participation by existing charter school pupils under the bill because of the \$1,600 increase in ESA funding for them. Approximately 35 highly disabled pupils would have to leave charter schools for the ESA program under the bill, for example, in order to offset the estimated \$100,000 cost (35 students X \$2,900 maximum savings per highly disabled pupil ≈ \$100,000). This seems unlikely, however, because charter schools serve relatively few highly disabled pupils and the \$1,600 per pupil increase would be relatively small compared to the \$26,000 in ESA per pupil funding that currently is available for such students. The number of additional highly disabled charter school pupils who would enter the ESA program under the bill, however, is unknown. It therefore is unclear whether the estimated \$100,000 costs for this aspect of the bill would be offset by other program savings.

Growth caps

The bill would cap the number of new ESA accounts through 2019 at 0.5% of total public school enrollment in the previous school year. This would equal roughly 5,400 new accounts annually, since approximately 1,087,000 pupils are currently enrolled in Arizona public schools. The program would have to grow very substantially from its current level of 302 students in order for the caps to take effect. Virtually all kindergartners in “D” and “F” schools, for example, would have to join the ESA program in order for the caps to restrict program growth in the first capped year. As a result, it appears that the caps would not affect program growth under the bill.

Local Government Impact

Public schools would receive less Basic State Aid funding under the bill if it reduced their kindergarten enrollments.