

Fiscal Note

BILL # HB 2421

TITLE: schools; distance learning courses; funding
S/E: same topic

SPONSOR: Carroll

STATUS: As Amended by House ED

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Description

The bill makes changes to requirements for Arizona Online Instruction (AOI) programs established in A.R.S. §15-808 and authorizes districts and charter schools to receive Basic State Aid funding for supplemental distance learning courses that are not offered through an AOI program. It also requires ADE to establish an online course catalog and establishes requirements for the State Board of Education (SBE) to evaluate courses in the catalog.

Estimated Impact

By authorizing districts and charters without an established AOI program to offer supplemental distance learning courses, the bill may increase the number of online courses eligible for Basic State Aid formula funding in comparison with current law. Pupils enrolled in supplemental distance learning, however, would still be subject to an overall cap on Average Daily Membership (ADM) of 1.0. The bill may therefore result in shifts in ADM between schools depending on the offerings of supplemental distance learning courses, but would likely not increase Basic State Aid expenses on net.

SBE estimates that the bill would generate \$300,000 in annual administrative expenses for the agency. This amount would fund 3 FTE Positions tasked with reviewing district and charter applications to establish supplemental distance learning courses and ongoing oversight and performance evaluation of such courses. We concur with SBE's estimate.

ADE has not yet provided an estimate of the cost of the bill.

Analysis

A.R.S. § 15-808 authorizes online course providers and online schools to provide Arizona Online Instruction (AOI) to public school students and establishes Basic State Aid funding for such programs. Full-time AOI students receive 95% of the Base Level component of the K-12 BSA formula while part-time students receive 85% of the Base Level. Students may participate in both a district or charter school and the AOI program simultaneously, but generally the student's total Average Daily Membership (ADM) across the district/chart and AOI program may not exceed 1.0. If ADM exceeds 1.0, ADE is required to reduce the pupil's ADM to 1.0, and apportion the ADM between the pupil's home district or charter and the AOI program based on the total time that the pupil is enrolled or in attendance in the AOI program versus their home district or charter.

The bill modifies the definition of "online school" for the purposes of AOI to include any school that provides at least 65% of its instructional time online. Under current law, schools may participate in the AOI program as long as the school provides at least one online academic course that is approved by the State Board of Education. This provision may reduce the number of schools receiving Basic State Aid for AOI relative to current law.

The bill also, however, authorizes any school district or charter school to offer supplemental distance learning courses for pupils in grades 6 through 12. Participating pupils would not have to be enrolled in the school district or charter school that offers the supplemental distance learning course. Full-time students would be allowed to enroll in no more than 2 supplemental distance learning courses per year, and courses would either have to be offered during the "intersession" (summer/winter break) or a would have to be a re-take of a course a student has already taken.

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The bill stipulates that each supplemental distance learning course be funded at a level no more than one-sixth of ADM. The LEA offering the supplemental distance learning course would include the one-sixth ADM in its ADM counts for Basic State Aid formula calculations, while the student's home district/charter would subtract the one-sixth ADM from their own ADM counts. Supplemental distance learning ADM would qualify for 85% of Base Level funding and would receive full additional assistance funding. We estimate that would equate to a funding level per pupil enrolled in a supplemental distance learning course ranging from \$865 to \$1,160 depending on whether the student is enrolled in a district school or a charter.

Given that the bill would cap overall ADM per pupil participating in a supplemental distance learning course at 1.0, we do not anticipate that the bill would result in a net increase in ADM above current law or a corresponding increase in Basic State Aid expenses. There could, however, be shifts in funding between schools. In general, districts and charters that are able to offer more supplemental distance learning courses, and that have few of their own students requesting enrollment in such courses, may experience a net funding gain under the bill. On the other hand, districts and charters with few or no supplemental distance learning course offerings that also have many of their own students requesting enrollment in such courses may experience a net funding reduction under the bill. There also could be enrollment shifts out of existing AOI programs into supplemental distance learning courses.

The bill would also require ADE to establish an online course catalog each year that would be subject to approval of the SBE. It would also authorize SBE to develop a system to review courses in the catalog based on student performance data and student and parental feedback. SBE would also have the authority to remove low quality courses from the catalog. Districts and charters would be required to apply to SBE to offer a supplemental distance learning course. SBE would also be required to review any supplemental distance learning course in which the students perform below the statewide average on the statewide assessment. SBE would also have the option of reviewing courses that have not been reviewed in over 5 years or are offered by a school with low performance based on the school's letter grade.

SBE estimates that it would require 3 additional FTE Positions at a cost of \$300,000 to carry out its administrative and oversight responsibilities under the bill. The agency derived its estimates primarily based on a distance learning program currently operated in Florida that has an online course catalog with 13,444 courses for students in grades 6-12 and is overseen by 27 program staff. SBE assumes that based on Arizona's smaller student population that the number of online courses in Arizona's catalog could reach approximately 5,000 and require up to 8 FTE Positions. The agency thinks, however, that Arizona's program would require a lower administrative workload than Florida's program because Florida requires all courses to be aligned with the state's academic standards, which would not be required under the bill. As a result, SBE concluded the net workload increase would only require 3 new FTE Positions.

While the number of supplemental distance learning courses under the program is uncertain, we think SBE's methodology appears reasonable, and therefore concur with their cost estimates.

ADE has not yet provided a cost estimate of the bill.

Local Government Impact

The bill could result in ADM shifts between schools as a result of supplemental distance learning course offerings. There could be corresponding impacts on the level of local property taxes to fund the Basic State Aid formula in non-state aid districts.