Fiscal Note

BILL # SB 1181

TITLE: Arizona online; instructional time model

SPONSOR: Bennett

STATUS: As Introduced

PREPARED BY: Patrick Moran

Description

SB 1181 would allow Arizona online instruction (AOI) schools to use the funding formula for local education agencies (LEAs) with an instructional time model (ITM).

Estimated Impact

We estimate that funding AOI programs under an ITM as authorized by the bill would increase Basic State Aid costs by at least $7.2 million annually. This assumes unweighted Average Daily Membership (ADM) of 41,000 for full-time AOI programs and 2,249 for part-time AOI programs (same as FY 2022). The actual cost could be higher or lower if actual student counts are different from these assumptions.

The bill could also generate increases in ADM due to the bill's elimination of daily logs for AOI programs, which may result in some time spent on academic tasks that is currently excluded from ADM calculations being included. The additional fiscal impact is difficult to determine due to lack of data.

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

Analysis

Current law stipulates that the Base Support Level component of the K-12 Basic State Aid formula be funded at a 95% factor for students enrolled in full-time AOI programs and 85% for students enrolled in a part-time program. AOI programs are not currently authorized to adopt an Instructional Time Model (ITM), which allows brick-and-mortar schools to provide up to 40% of total instructional time in a remote setting without any impact to their funding. Any ITM program with remote instruction that exceeds the 40% threshold is funded at 95% of the Base Support Level for the portion of their student count that exceeds 40%.

The bill stipulates that AOI programs be funded in the same manner as an ITM. At AOI schools, 100% of instruction occurs in a remote setting. As a result, the Base Support Level would be calculated at 100% for the first 40% of total instructional time and 95% for the remaining 60% of total instructional time, which effectively equates to funding at 97%. Funding at 97% for AOI students would be a 2 percentage point increase relative to current law for full-time AOI programs and a 12 percentage point increase relative to current law for part-time AOI programs.

ADE reported in the Superintendent's Annual Financial Report that AOI programs generated total unweighted ADM of 43,249 in FY 2022, including 41,000 in full-time AOI programs and 2,249 in part-time programs. We estimate that under an ITM full-time AOI pupils would receive an average per pupil increase of $135 and part-time pupils would receive an average increase of $775. The resulting annual fiscal impact would be $7.2 million beginning in FY 2024 based on FY 2022 enrollment levels.

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There could be additional impacts if the bill results in AOI programs generating increased ADM due to the elimination of daily logs. Under current law, calculations of ADM generated for students enrolled in AOI programs are based on a daily log for each pupil that reports the number of minutes spent on certain academic tasks. ADE has previously indicated that AOI programs may automatically track time spent on academic tasks through online platforms, which means that time spent on academic tasks outside of the platform (e.g., studying, working on a project, etc.) may not always be reported for ADM calculations.

Under the bill, daily logs would be eliminated. If the bill is interpreted to include time spent on direct instruction, project-based learning, independent learning, and mastery-based learning as authorized under an ITM, there would likely be increases in AOI ADM because some academic tasks that are not currently reported for ADM purposes, as noted above, would be reported under the bill. We lack data on what share of AOI academic tasks are currently being unreported for ADM purposes. In general, every 1% increase in AOI ADM that would occur under the bill could result in a fiscal impact of approximately $3.5 million, above the $7.2 million impact from the BSL increases discussed above.

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