

# Fiscal Note

**BILL #** SB 1272

**TITLE:** CTEs; in-demand programs; funding

**SPONSOR:** Bennett

**STATUS:** Senate Engrossed

**PREPARED BY:** Patrick Moran

## Description

The bill would eliminate the requirement that Career and Technical Education District (CTED) 9<sup>th</sup> graders and CTED students enrolled in the year after graduation only be included in Average Daily Membership (ADM) counts if they are enrolled in a CTED program that is included in the in-demand education list established by the Office of Economic Opportunity (OEO). It would also eliminate the additional requirement that 9<sup>th</sup> graders remain enrolled in the program through the 40<sup>th</sup> day of their 11<sup>th</sup> grade year to be included in ADM counts. Additionally, CTEDs would be allowed to offer associate degree programs that do not appear on OEO's in-demand education list.

## Estimated Impact

We estimate the bill would increase General Fund K-12 Basic State Aid expenses by \$43.9 million annually beginning in FY 2024. The actual impact could be higher or lower than our estimate depending on the share of 9<sup>th</sup> graders and students enrolled after graduation who will eventually be counted in ADM under current policy, which is uncertain.

To the extent that the bill induces CTEDs to offer additional associate degree programs compared with current law, the bill could result in some students choosing to enroll in a CTED who would have otherwise enrolled in an Arizona Community College, which could reduce Community College formula expenses by an unknown magnitude.

## Analysis

The Arizona Department of Education (ADE) reports that in FY 2023 there are 32,247 9<sup>th</sup> grade students enrolled in a CTED. If all of those students were counted for the purposes of Basic State Aid, ADE estimates the 32,247 students would only generate ADM of 6,910 given that such students generally attend a CTED only on a part-time basis. Under current law, the actual 9<sup>th</sup> grade ADM included in Basic State Aid calculations is lower than 6,910 due to 2 additional statutory limitations that apply to funding such students. To be included in ADM counts a 9<sup>th</sup> grader must:

- Be enrolled in a CTED program that, at the time they enroll, is included in the "in-demand education" list published by OEO.
- Persist in the program until at least the 40<sup>th</sup> day of their 11<sup>th</sup> grade year.

These requirements effectively mean that the 9<sup>th</sup> grade portion of a CTED student's program is only funded in the Basic State Aid formula if they are enrolled in the same in-demand CTED program 2 years later, whereas the portion of the program for grades 10 through 12 is funded in the year of enrollment. As a result, ADE does not have data on what share of the current 6,910 ADM that could be generated by 9<sup>th</sup> graders will eventually be included in Basic State Aid calculations.

Based on data from CTED representatives, we estimate that 52% of 9<sup>th</sup> graders are enrolled in an OEO in-demand education program and that 27% of those students persist in the same program until 11<sup>th</sup> grade, effectively meaning that

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14% of current 9<sup>th</sup> grade students might eventually qualify for inclusion in ADM counts under current law ( $52\% \times 27\% = 14\%$ ), while the remaining 86% are not eligible for Basic State Aid funding.

The cost of the 14% of 9<sup>th</sup> grade ADM that we estimate to be eligible for funding is already included in the Baseline. The fiscal impact of the bill, therefore, would be to include the remaining unfunded 86% of CTED 9<sup>th</sup> graders in ADM counts, which we estimate would increase CTED unweighted ADM counts by 5,943 compared with current law ( $86\% \times 6,910$  unweighted 9<sup>th</sup> grade ADM = 5,943). Under the FY 2024 Baseline, we estimate CTEDs will receive average Basic State Aid funding per pupil of \$7,200, meaning that the 5,943 ADM increase would result in additional Basic State Aid costs relative to current law of \$42.8 million in FY 2024 ( $5,943 \times \$7,200 = \$42.8$  million).

The bill would also eliminate the requirement that CTED pupils enrolled in the year after graduation be included in ADM counts only if they are enrolled in an OEO in-demand education program. Based on data from CTED representatives, we estimate that there are 314 students statewide enrolled in CTED programs in the year after graduation that would generate 235 ADM based on their typical instructional hours. CTED representatives reported that 32% of such individuals are currently enrolled in a program included on OEO's in-demand list, meaning the remaining 68%, or 160 ADM, are not eligible for funding under current law. Under the bill, the 160 not enrolled in such programs would become eligible to be included in CTED ADM counts, which would have an additional estimated cost of \$1.1 million in FY 2024 ( $160 \text{ ADM} \times \$7,200 = \$1.1$  million). Given that the bill also authorizes funding for all 9<sup>th</sup> graders, the actual impact could be lower given that current law caps Basic State Aid funding for CTED pupils at 4 years (pupils who enrolled in a CTED in all of grades 9 through 12 would not be eligible for funding in the year after graduation).

CTEDs would also be authorized under the bill to offer associate degrees that are not included on OEO's in-demand education list, which may impact community college enrollment to the extent there are some students who choose to enroll in a CTED associate degree program that would have otherwise attended a community college. We cannot estimate the magnitude of such impacts in advance. We estimate that every (1)% change in community college enrollment would be associated with a state aid reduction of approximately \$(280,000).

The bill also eliminates the Arizona Industry Credential Incentive Program, which was funded on a one-time basis at a level of \$5.0 million in FY 2021 and FY 2022. Given the program is not funded in the FY 2024 Baseline, the elimination of the program has no fiscal impact.

#### **Local Government Impact**

None