

Fiscal Note

BILL # SB 1402

TITLE: ~~child care; licensing; technical correction~~ S/E
subject: ASDB

SPONSOR: Wadsack

STATUS: As Amended by Senate Education

PREPARED BY: Patrick Moran and Cameron Mortensen

Description

The bill expands eligibility for admission to the Arizona State Schools for the Deaf and the Blind (ASDB) to include any student with a disability.

Estimated Impact

We anticipate the bill would have 2 distinct impacts:

- 1) The bill could impact Arizona Department of Education (ADE) K-12 Basic State Aid formula expenses to the extent that it induces special education pupils to shift their enrollment from a district or charter to ASDB. We expect, however, that the net impact on formula costs would be minimal, as special education voucher payments made by ADE to ASDB do not differ materially from Basic State Aid payments made to districts or charters for deaf and blind students.
- 2) There could also be substantial impacts to ASDB operating and capital expenses over and above any increased revenue the agency would receive from ADE special education voucher payments. ASDB voucher funding for its current student population is supplemented by a \$25.6 million General Fund appropriation. We cannot determine the magnitude of adjustments to the agency's General Fund appropriation that would be needed to cover its expenses to serve new students because the impacts of the bill on ASDB enrollment and the corresponding changes in ASDB instructional programs is highly uncertain.

ASDB estimates the bill would increase its annual operating costs by \$59 million to \$295 million annually and would generate one-time renovation and new construction expenses ranging from \$26 million to \$142 million. ASDB assumes that their current enrollment of 353 in day programs and residential programs would increase between 580 and 2,902 annually. The agency also assumes that their cost per student would be similar to what the agency incurs for deaf and blind students. We think these enrollment projections are likely to be overstated.

Analysis

Under current law, K-12 students with sensory impairment are allowed to be admitted to educational programs through ASDB at its campuses in Phoenix and Tucson. ASDB also operates regional cooperatives to serve deaf and blind students in their home district or charter school. Both the site-based programs and the regional cooperatives receive funding from special education vouchers paid by ADE to ASDB. The special education voucher amounts are computed based on a modified version of the Basic State Aid and on average provide annual funding of about \$31,000 per student.

The bill would require ASDB to offer services to any children with a disability. ASDB indicates that the students who would be most likely to attend ASDB would be students with an Individualized Education Plan (IEP) that have already been enrolled in a special education program offered by a separate school. Based on ADE data, ASDB estimates that there are 2,902 such students in Arizona. By comparison, there were 353 students enrolled in one of ASDB's on-campus day and residential programs in Phoenix and Tucson in FY 2022.

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ASDB's estimates assume that between 20% and 100% of special education students currently enrolled in a separate school would shift their enrollment to ASDB. We think ASDB's estimates are speculative and likely overstated. Given that students enrolled in separate special education schools would in general have highly individualized and specialized instruction, we anticipate ASDB would have to make numerous staffing and programmatic changes to serve students who would become eligible for services under the bill. As a result, any enrollment impacts may only occur over the course of several years as ASDB develops new programs to serve children who are neither deaf nor blind.

To the extent that ASDB enrollment eventually increases, we anticipate there would be at least the following impacts:

- Special Education Voucher payments made by ADE for placements at ASDB would increase. We anticipate, however, that the impact of voucher spending increases would be approximately neutral within ADE, as the voucher formula largely mirrors the regular Basic State Aid formula. As a result, any increase in voucher payments would likely be largely offset by Basic State Aid payment reductions to district and charter schools currently serving special education students in separate schools.
- ASDB may incur operational expense increases that exceed the amount of additional voucher revenue the agency receives. The agency estimates that the current cost to serve K-12 students enrolled in its day or residential programs at the Phoenix or Tucson campus ranges from \$60,000 to \$180,000 annually per student. By comparison, as noted above, the typical voucher payment provides about \$31,000 annually for deaf and blind students. We do not think, however, that ASDB's current per pupil costs can be extrapolated to other student populations given varying service needs as noted above. As a result, the magnitude of such operational expenses cannot be determined in advance.
- ASDB may incur one-time capital expenses associated with renovation of existing facilities or construction of new facilities. The agency estimates it would incur \$200 per square foot for renovation and \$300 per new construction and that new students would require at least 150 square feet of renovated or new space. While we think ASDB's cost and square footage estimates are reasonable, the magnitude of such expenses would depend on the enrollment increase, which is highly uncertain.

Local Government Impact

None

3/6/23