

Fiscal Note

BILL # SB 1717

TITLE: dual enrollment; revisions; appropriations

SPONSOR: Kaiser

STATUS: Senate Engrossed

PREPARED BY: Patrick Moran

Description

The bill appropriates monies to 4 new programs related to dual enrollment courses.

Estimated Impact

The bill would increase General Fund spending by \$25.5 million in FY 2024 based on the appropriations in the bill. There could be additional impacts depending on how many schools would decide to establish new dual enrollment programs or to increase participation in existing dual enrollment programs as a result of the bill. To the extent that the bill does induce increased dual enrollment participation, there would also be impacts to community college formula funding. We estimate that every 1% increase in dual enrollment student counts would increase community college formula funding by approximately \$15,000.

Analysis

Dual enrollment courses are taught by high school teachers who meet the requirements to teach a community college course for college credit on a high school campus during normal high school operating hours. Under state funding formulas, dual enrollment students are included in their high school's Average Daily Membership (ADM) counts for K-12 basic state aid purposes and are simultaneously funded in their community college of attendance at 50% of the level of a full-time equivalent student (FTSE). A.R.S. § 15-1821.01 requires community colleges that establish dual enrollment programs to develop a contract with participating districts and charter schools that determines how each dual enrollment student is funded, tuition and financial aid policies, and other program requirements.

The bill would establish 4 new programs to increase funding for dual enrollment programs as outlined below.

Dual Enrollment Grant Program

The bill would establish the Dual Enrollment Grant Program to provide grants to districts and charter schools for operation of new dual enrollment programs that are established after July 1, 2023 and appropriates \$5.0 million from the General Fund for the grants in FY 2024. There is no specific formula established in the bill for distribution of the grants, but the bill requires ADE to prioritize applications from schools with FRPL-eligibility of 50% or more.

Dual Enrollment Student Fund

Under SB 1717, dual enrollment program providers would be eligible for reimbursement of up to \$50 per credit hour for each grade of C or better earned by a student in a dual enrollment course that fulfills a lower division credit at a university or community college or is a career and technical course that results in a certificate, credential, or license. The bill appropriates \$15.0 million from the General Fund to cover the cost of the reimbursements.

The Auditor General reports that for state fiscal year 2022, dual enrollment pupils were associated with FTSE counts of 8,861. Pursuant to A.R.S. § 15-1401, FTSE is defined as a student who enrolls in 15 community

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college credit units per semester. As a result, the 8,861 FTSE level would be associated with total credits on an annual basis of 265,830. (8,861 FTSE X (15 Fall Semester Credits + 15 Spring Semester Credits) = 265,830).

If all credits earned by students currently enrolled in a dual enrollment course received the \$50 credit, the total expenditures from the fund would be \$13.3 million (\$50 X 265,830 credit hours = \$13.3 million). The actual expenditures on current enrollees could be less if not all dual enrollment students earn a passing grade or if there are some dual enrollment courses that do not qualify for reimbursement under the terms of the bill. The amounts could also be lower if some students reach the annual reimbursement caps under the bill (\$300 for freshman and sophomores, \$600 for juniors and seniors).

The \$50 could incentivize the expansion of both existing dual enrollment programs as well as the creation of dual enrollment programs in non-participating districts. To the extent that total usage exceeds \$15 million, the bill stipulates that ADE shall prioritize distributions to students who are eligible for the federal Free and Reduced-Price Lunch (FRPL) program.

Dual Enrollment Incentive Program Fund

Beginning in FY 2027, the bill would authorize bonuses of \$300 per passing grade in a dual enrollment course for students enrolled in a high school with less than a 50% FRPL-eligibility rate and \$450 per passing grade for students in schools with 50% or higher FRPL-eligibility rate. The bonus awards would be pro-rated downward if the actual cost of the awards exceeds the appropriation in the bill, which is \$5 million.

The 265,830 credits earned by current dual enrollment students would be associated with up to 88,610 courses taken by students assuming each course counts for 3 credit hours. If the distribution of courses passed by students in low-FRPL schools versus high-FRPL schools is comparable to the College Credit by Examination Incentive Program (which has the same bonus structure), an estimated 88% of the courses would be passed by students in low-FRPL schools with the remaining 12% passed by students in high-FRPL schools. The resulting cost of the full awards would be as follows:

- Low-FRPL: 88,610 courses X 88% low-FRPL share X \$300 = \$23.4 million
- High-FRPL: 88,610 courses X 12% high-FRPL Share X \$450 = \$4.8 million

Based on the above data, existing dual enrollment programs would more than exceed the \$5.0 million allocation in the bill, meaning the awards would need to be pro-rated down by approximately (84)%. The resulting bonus for low-FRPL schools would be \$53 per passed exam (instead of \$300) and for high-FRPL schools would be \$80 per passed exam (instead of \$450).

The actual reduction in the full award could be lower given that some dual enrollment students would not pass their course (and therefore not qualify for a bonus). For example, in the College Credit by Examination Incentive Program, ADE reports the pass rate for exams is only 36.8%. We expect, however, that the pass-rate in the dual enrollment incentive program would be higher given that the bonus would be paid passed on the letter grade issued by the teacher instead of performance on a year-end national exam.

Dual Enrollment Development Fund

The bill authorizes a one-time \$1,000 bonus to each teacher that satisfies the requirement for teaching a dual enrollment course and provides instruction in at least one dual enrollment course. Based on the \$500,000 appropriation in the bill, the full \$1,000 incentive could be paid to up to 500 teachers per year. If the number of teachers applying for the award is more than 500, the award would be pro-rated downward. We lack data on the number of teachers that already are eligible to teach a dual enrollment course.

Local Government Impact

To the extent that the bill increases dual enrollment participation, there could be increases in community college formula funding.