

Fiscal Note

BILL # HB 2170

TITLE: full-day kindergarten students; ADM

SPONSOR: Pawlik

STATUS: As Introduced

PREPARED BY: Gordon Robertson

Description

The bill would authorize districts and charter schools to count kindergartners as full-time students if they provide a full-time program with total instructional hours of 712 over the course of a 180-day school year. Kindergartners that enroll in programs with less than 712 hours would continue to be counted as half-time students.

Estimated Impact

We estimate the bill would increase K-12 Basic State Aid funding by \$296.4 million in FY 2025, including \$272.4 million for districts and charter schools and \$24.0 million for kindergartners enrolled in the Empowerment Scholarship Account (ESA) program. The actual impact could be lower if some parents continue to enroll their children in half-day kindergarten, in which case their child would continue to be counted as 0.5 average daily membership (ADM) consistent with current law.

There would likely also be impacts on New School Construction formula funding within the School Facilities Division (SFD) of the Arizona Department of Administration, as kindergartners are currently only counted as 0.5 ADM for purposes of determining whether districts require a new school based on their square footage per pupil. We lack sufficiently detailed information on square footage by district to make a precise estimate of how many districts would qualify for a new school as a result of the bill.

Analysis

A.R.S. § 15-901 stipulates that kindergarten pupils be counted as half-time students for the purposes of Basic State Aid formula funding. As a result, even though there were 72,212 kindergartners enrolled in Arizona public schools as of October 1, 2023, Department of Education (ADE) reports that kindergartners only generate fundable ADM of 35,982 for FY 2024. Districts and charters are authorized to offer full-day kindergarten on a voluntary basis.

We estimate that the current 35,982 public school kindergarten ADM would increase to 71,964 in FY 2025 under the bill, which assumes that all eligible kindergartners would be counted as full-time students. The resulting per-pupil funding increase would be approximately \$3,893 and the corresponding total formula funding increase would be \$280.1 million ($\$3,893 \times 71,964 = \280.1 million) We estimate that approximately 2.78% of the formula costs would be covered by additional property tax collections in non-state aid districts, which would lower the net General Fund cost to \$272.4 million.

The bill would also have impacts on the ESA formula, as ADE lowers the Base Level portion of the ESA formula award to reflect the fact that kindergartners would only receive 0.5 ADM in their assigned public school or school

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of attendance. We estimate that average ESA awards for kindergartners would increase by \$3,500 as a result of the bill. Given our estimate that total ESA program enrollment (both universal and non-universal) will reach 82,452 in FY 2025 and that kindergarten pupils represent approximately 8.3% of enrollment in the ESA program, we estimate the bill would increase ESA awards relative to current law by \$24.0 million ($82,452 \times 8.3\% \times \$3,500 = \$24.0$ million).

Local Government Impact

The bill would generate additional local property tax revenues for non-state aid districts by \$7.8 million in FY 2025 as a result of increased budget capacity associated with full-day kindergarten.

1/18/24