



STATE OF ARIZONA

OFFICE OF THE ATTORNEY GENERAL

ATTORNEY GENERAL OPINION	No. I25-004 (R25-006)
By KRIS MAYES ATTORNEY GENERAL	Re: Permissible payment methodologies under A.R.S. § 15-393(L)(9)
June 12, 2025	

To: Kevin Koebel, Director of Legal Services, East Valley Institute of Technology

Pursuant to A.R.S. § 15-1448(H), we generally affirm the conclusions reached by the opinion you prepared for the East Valley Institute of Technology (“EVIT”), a career technical education district (“CTED”), regarding whether various payment methodologies comply with A.R.S. § 15-393(L)(9).¹ That opinion is attached hereto as Appendix A.

CTEDs (formerly known as “joint technological education districts”) are education districts formed by two or more school districts to provide career technical education (“CTE”) courses and programs to students within those districts. *See generally* A.R.S. §§ 15-391(3), 15-392. CTEDs may provide CTE courses and programs at a central campus owned or operated by the CTED or on a member district’s campus pursuant to an intergovernmental agreement (“IGA”) with the member district. A.R.S. § 15-393(L).

¹ The submitted opinion cites A.R.S. § 15-539(L)(9). However, it is clear based on the issues addressed in the Opinion that the Opinion is referring to A.R.S. § 15-393(L)(9).

A.R.S. § 15-393(L) sets forth specific requirements for an IGA between a CTED and a member district. One is that the IGA must “completely and accurately specify . . . [t]hat the payment for services shall not exceed the cost of the services provided.” A.R.S. § 15-393(L)(9).

The submitted opinion outlines, at a high level, four methods for calculating payments owed to member districts for services provided by them in connection with CTE courses and programs on their campuses pursuant to A.R.S. § 15-393(L)(9). It concludes that two of the methods appear to accurately reflect the actual cost of services, as required by § 15-393(L)(9), while two do not.

We generally agree with the conclusions reached, based on the provided descriptions of the four payment methods. But we express no opinion on whether these methods, as presented here, comply with other statutory requirements, including those in other subsections of A.R.S. § 15-393(L), nor do we express an opinion on whether the methods discussed herein comply with the Uniform System of Financial Records. Further, there could be language in other provisions of the final IGA that could significantly affect the manner in which payments are calculated that may affect the distribution of the payments between the parties. Thus, while we can make general conclusions and provide general guidance with respect to the specific language presented in isolation here, whether an IGA containing this language is compliant with A.R.S. § 15-393(L)(9) will necessarily require review of the complete agreement, rather than just certain or select portions thereof.

* * *

Kris Mayes
Attorney General

APPENDIX A



R25-006

Kevin Koelbel
Director of Legal Services
East Valley Institute of Technology
1601 West Main Street
Mesa, Arizona 85201

April 14, 2025

Chris Mayes
Attorney General
Office of the Attorney General
2005 N. Central Ave.
Phoenix, AZ 85004-2926

Re: Request for Opinion Regarding Payments for CTED Member District Services

Dear General Mayes:

Pursuant to A.R.S. § 15-253(B), I am submitting for your review the enclosed legal opinion that I provided to the Governing Board of the East Valley Institute of Technology ("EVIT Board"), an Arizona Career and Technical Education District.

The EVIT Board is currently preparing its Intergovernmental Agreements ("IGAs") with its member districts. These IGAs will start on July 1, 2025. The EVIT Board was hoping your office could complete a review by April in order to avoid any delay in executing the new IGAs. To that end, I submitted a request for an opinion to you in January. Unfortunately, it appears that I did not submit it properly.

I realize that my error does not place any burden on your office. But if there is anyway to expedite a review of the attached legal opinion, the EVIT Board and I will greatly appreciate it.

If you have any question, please do not hesitate to contact me.

Sincerely,

Kevin Koelbel

To: EVIT Governing Board
From: Kevin Koelbel
Date: March 28, 2025
Re: CTE Satellite Funding Mechanisms

ATTORNEY-CLIENT PRIVILEGE

Board Members:

In preparation for preparing new Intergovernmental Agreements (“IGAs”) with CTED’s member districts, you asked that I determine what funding mechanisms Arizona Career and Technical Education Districts (“CTEDS”) use to fund CTE Satellite Programs and to request an opinion from the Arizona Attorney General about whether they comply with A.R.S. § 15-539(L)(9), which requires that payments for services to member districts no exceed the cost of delivering services.

On January 28, 2025, I sent a letter to the Arizona Attorney General outlining four funding methods that represent the funding methods used by Arizona CTEDs and requesting an opinion about whether each complies with A.R.S. § 15-539(L)(9) (copy attached). I expected a response within sixty days, but received none. I have since learned that the form in which I requested the opinion was incorrect. I apologize for that delay.

The four funding methods commonly used by Arizona CTEDs are:

1. The services provided for the satellite program are proportionally calculated between the CTED and member district based on the cost of delivering services. The payment to the member district not to exceed the cost of the services provided. The CTED pays the member district based on the following formula: $66\% \text{ of } (\text{Base Support Level} \times \text{Average Daily Membership} \times 1.339)$. Member district’s unexpended funds at the end of the school year are used to decrease reimbursements for the following year
2. The CTED pays the member district a fixed proportion of the Average Daily Membership generated by the member district for the CTE courses provided by the member district without regard to the cost of the services. Payments are made quarterly with no provision for payments exceeding the cost of services or unexpended funds.
3. The services provided for the satellite program are proportionately calculated between the CTED and member district based on the cost of delivering the service. The payment to the member district is not to exceed the cost of the services provided.
4. Member districts provide a budget plan to the CTED for the CTED’s governing board’s approval prior to providing the services. The CTED reimburses the member district for costs included in the approved budget. The CTED distributes fund twice annually. The amount distributed will not exceed the amount to which the member district is entitled based on the current year’s 100-day student count. If the member district uses CTE funds to supplant non-CTE programs, the amount supplanted is deducted from the following year’s funding. No other provision is included for overpayments of unexpended funds.

Method 1 appears to comply with this statutory requirement because, although it passes through a fixed percentage, the expenses are reconciled at the end of each fiscal year and funds provided to the member district in excess of expenses are applied to services provided in the following fiscal year.

Method 2 would not comply with the statutory requirement because a fixed percentage of funds generated by Average Daily Membership does not account for the actual cost of providing services. This method does not reconcile the actual costs with the payment amounts, has no method of determining if the fixed percentage exceeds the costs of providing services, and therefore, no means to recover overpayments.

Method 3 is similar to Method 1, but a vague on the process of how the proportional service calculation is made. But the requirement that payments to the member district not exceed the cost of the services provided should insure compliance with the statutory requirement.

Method 4 requires member districts to submit budgets for CTE Board approval prior to providing services. The CTED reimburses based on the budget. The amount distributed cannot exceed the current year’s 100-day student count. If the member district uses any funds to supplant non-CTE programs, the amount supplanted is deducted

from the following year's funding. Whether the budget is ever reconciled with the 100-day student count to determine if an overpayment was made is unclear. And, there does not appear to be a method to recover an overpayment aside from a supplanting issue.

Methods 1 and 3 satisfy the statutory requirement that payments for services shall not exceed the cost of services provided. Methods 2 and 4 do not have a mechanism to determine if payments made to a member district exceed the cost of services provided nor a means to recover or account for an overpayment.

My opinion, therefore, is that Methods 1 and 3 comply with A.R.S. § 15-393(L)(9) and you may use either method. I would caution you, however, to provide additional details if you choose Method 3. Methods 2 and 4 do not satisfy A.R.S. § 15-439(L)(9) and I advise you not to include either method of funding EVIT satellite programs in the new IGAs.