

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5983-01  
Bill No.: HB 1823  
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department  
Type: Original  
Date: February 24, 2014

Bill Summary: This proposal allows students to enroll in another school district or charter school for purposes of attending virtual courses or programs.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 or (Unknown - More than \$100,000)	\$0 or (Unknown - More than \$100,000)	\$0 or (Unknown - More than \$100,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 or (Unknown - More than \$100,000)</b>	<b>\$0 or (Unknown - More than \$100,000)</b>	<b>\$0 or (Unknown - More than \$100,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
State School Moneys Fund*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\*Offsetting Transfers In and Out are \$0 or Unknown - More than \$100,000 annually.

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>\$0 or Unknown - More than \$100,000 to (Unknown - More than \$100,000)</b>	<b>\$0 or Unknown - More than \$100,000 to (Unknown - More than \$100,000)</b>	<b>\$0 or Unknown - More than \$100,000 to (Unknown - More than \$100,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)**, assume this proposal has many unknowns centered around the non-public school students transferring to virtual schools. At present, the number of students who are educated other than through public education living in Missouri is not known. In addition, the number of these students who would transfer into these virtual schools is also not known. Data from other states would indicate a significant number could or would transfer.

DESE assumes this proposal would have a cost in excess of \$100,000. This assumption is derived based upon the FY13 per pupil current expenditure of \$9,840. This expenditure multiplied by 72.5% would yield a payment expense of \$7,134 per pupil for the purposes of attending virtual courses or programs. If the full-time equivalent number of students currently not served by public schools increased by fifteen, the cost would exceed \$100,000 and then grow proportionally thereafter.

This proposal puts a limit on the number of students who could enroll or be admitted as nonresident students in districts other than the district of residence or in the charter virtual school. The limit is 1.75% of the total number of public and charter school students (the number of students for the 2012-2013 school year was 886,469) which would calculate to 15,513 students. The proposal is unclear whether the 1.75% limit is for total enrollments statewide or whether the limit is per virtual charter LEA. Nonresident transfers into these charter schools is still not known, but the following percentages of students transferring would cost:

100%	15,513	X	\$7,134	=	\$110,666,019
75%	11,635	X	\$7,134	=	\$ 83,001,298
50%	7,757	X	\$7,134	=	\$ 55,336,576
25%	3,878	X	\$7,134	=	\$ 27,664,721
10%	1,551	X	\$7,134	=	\$ 11,064,462

Students currently attending public schools and charters could attend the virtual charter school under the terms of this proposal; but, may only affect local funds being spent outside the district.

DESE officials note that since they began registering students in mid-August 2013, the Missouri Virtual Instruction Program (MoVIP) has had students from about 95 different school districts (or about 110 different cities) throughout Missouri enroll in MoVIP online courses. DESE does not track the number of districts that may contract for virtual school services from other sources.

ASSUMPTION (continued)

Officials from the **Special School District of St. Louis County (SSD)** assume, that to the extent that students with an Individualized Education Program (IEP) enroll in a charter school for the purposes of virtual education, this proposed legislation could have a negative fiscal impact on the SSD. This would occur if SSD has to provide 1:1 homebound services to students in the virtual schools rather than in a classroom with other students in their district of residence.

Officials from the **Kansas City Public Schools** cannot estimate the negative fiscal impact of the proposed legislation. They do expect it would be negative and could be substantial, because it calls for open enrollment for virtual learners.

Officials from the **Fulton Public Schools** assume no known effect at this time.

In response to similar legislation (SB 522) from this session, officials from the **Cole R-1 School District** assumed there would be a financial cost to the school district if they decided to adopt the virtual schools classes. The cost would include the purchase or development of the virtual classes and employing a certified teacher to monitor the classes and program. In addition, the district might possibly have to increase their bandwidth, which would cost more money. There would be an offset of the cost to fund the virtual classes by being able to collect state aide through the formula. The total cost is unknown.

Also in response to SB 522, officials from the **Francis Howell School District** do not anticipate any measurable fiscal impact to their district.

Officials from the following school districts: Blue Springs, Branson, Caruthersville, Charleston R-I, Columbia, Fair Grove, Harrison R-IX, Independence, Jefferson City, Johnson County R-7, Kirksville, Kirbyville R-V, Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to **Oversight's** request for fiscal impact.

Officials from the **University of Missouri System, Northwest Missouri State University, Missouri State University, Linn State Technical College, and Missouri Western State University** state there will be no fiscal impact to their respective institutions.

Officials from the **University of Missouri System** (Charter School Sponsors) state that they are unsure of what fiscal impact this proposal will have.

ASSUMPTION (continued)

According to officials from the **University of Central Missouri (UCM)** (Charter School Sponsor), none of the UCM-sponsored charter schools offer virtual course work. The only fiscal impact that this proposal would have on the UCM-sponsored charter schools is if the enrollment hours in the virtual course were not calculated correctly, affecting the distribution of state funding.

Officials from the following charter school sponsors: Lindenwood University, Saint Louis University, Washington University, and the St. Louis Public School District did not respond to **Oversight's** request for fiscal impact.

Officials from the **Allen Villages School** (Charter School) responded, but did not indicate fiscal impact.

Officials from Carondelet Leadership Academy (Charter School) did not respond to **Oversight's** request for fiscal impact.

**Oversight** assumes the proposal is permissive to receiving schools in that it states “School districts or charter schools may enroll any virtual nonresident student.” However, a cost can be assessed against a district of residence if a school district or charter school elects to provide such virtual education to non-resident students which may or may not be offset by increased state funding. Oversight assumes this proposal could increase state funding for education if resident students of provisionally accredited or unaccredited school districts are currently being home schooled or attend private schools, but with this bill could attend, virtually, a Missouri public school. Oversight then assumes the student would be counted in the rolls of their resident district.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE</b>			
<u>Transfer Out - Elementary and Secondary Education (DESE) - Increased state aid</u>	\$0 or (Unknown - More than <u>\$100,000)</u>	\$0 or (Unknown - More than <u>\$100,000)</u>	\$0 or (Unknown - More than <u>\$100,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 or (Unknown - More than \$100,000)</u></b>	<b><u>\$0 or (Unknown - More than \$100,000)</u></b>	<b><u>\$0 or (Unknown - More than \$100,000)</u></b>



### FISCAL DESCRIPTION

This bill allows a Missouri student to enroll in the virtual course or program of a school district or charter school other than the student's district of residence. The receiving school must admit the student based on the time of application until full capacity is reached, not to exceed 1.75% of the students enrolled in public schools, including charter schools. Preference will be given to students who are siblings of students already enrolled. Once enrolled, the student may remain in the virtual program until he or she completes the grade levels offered or withdraws.

For school funding purposes, the student is included in the average daily attendance of his or her school district of residence. The school of residence must pay the receiving school 72.5% of the previous year's average current expenditure per average daily attendance, not to exceed the aggregate amount due the residence district under the basic school funding formula, which includes the classroom trust fund, and Proposition C funds.

Any higher education institution with its main campus located in Missouri with an approved teacher education program may sponsor a virtual charter school. A virtual charter school may only offer instruction in a virtual setting using technology, Intranet, and Internet methods

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
School Districts

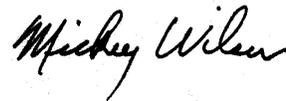
Special School District of St. Louis County  
Cole R-1  
Francis Howell  
Fulton  
Kansas City

Charter School Sponsors

University of Missouri System  
University of Central Missouri

Colleges and Universities

Missouri Western State University  
Northwest Missouri State University  
Missouri State University



Mickey Wilson, CPA  
Director  
February 24, 2014

Ross Strope  
Assistant Director  
February 24, 2014