

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5983-03
Bill No.: HCS for HB 1823
Subject: Education, Elementary and Secondary; Elementary and Secondary Education Department
Type: Original
Date: April 7, 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

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

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

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

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

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

- 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).

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

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** assume that since this legislation applies to "any student who is a resident of this state and is eligible to attend a public school in a county that has contained any portion of a school district that has been declared unaccredited or in an adjacent county is eligible to enroll in a virtual school of choice," 45 school districts within the Kansas City area and 50 school districts within the St. Louis area would currently be affected.

DESE assumes that there would be no cost to the state as long as the formula is underfunded. There could be an additional unknown cost to the state when the formula is funded due to students enrolling in the virtual school of choice who were not enrolled in the public school of residence but instead were attending private schools or being home schooled. While the cost is unknown it would be estimated to be over \$100,000.

For local school districts, each student that transfers will cost the district \$6,131 (the state adequacy target currently used in the distribution). This includes currently enrolled, non-public and home schooled students. If only 100 students transferred at a cost of \$6,131 each, the impact on the district would be \$613,100.

§162.1250.4 (2) states, "The Department of Elementary and Secondary Education shall transfer any federal special education or Title I funds associated with an individual virtual transfer student to the virtual school of choice." DESE does not have the authority under IDEA regulations to redistribute or transfer funds in this manner. DESE has to allocate funds according to a federal formula based on prior year counts. Fiscal impact to DESE could be audit findings and pay backs. In addition, if the virtual school is not operated through a public school district or local education agency, DESE cannot allocate IDEA Part B funds.

Officials from the **Special School District of St. Louis County (SSD)** do not expect this proposed legislation to have a material fiscal impact on their district.

Officials from the **Kansas City Public Schools (KCPS)** assume this proposed legislation may have a negative impact to KCPS of approximately \$185,000 in the first school year of actual implementation. It is difficult to estimate impact thereafter; however, it may range from several thousand dollars to \$200,000.

In response to the introduced version of this proposal, officials from the **Fulton Public Schools** assumed no known effect at this time.

LMD:LR:OD

ASSUMPTION (continued)

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** did 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**, and **Linn State Technical College**, state there will be no fiscal impact to their respective institutions.

In response to the introduced version of this proposal, officials from **Missouri Western State University** assumed no fiscal impact.

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

According to officials from the **University of Central Missouri (UCM)** (Charter School Sponsor), 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.

ASSUMPTION (continued)

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 cost can be assessed against a district of residence if a school district or charter school provides 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
GENERAL REVENUE			
<u>Transfer Out</u> - Elementary and Secondary Education (DESE) - Increased state aid	(Unknown - More than <u>\$100,000</u>)	(Unknown - More than <u>\$100,000</u>)	(Unknown - More than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown - More than \$100,000)</u>	<u>(Unknown - More than \$100,000)</u>	<u>(Unknown - More than \$100,000)</u>
STATE SCHOOL MONEYS FUND			
<u>Transfer In</u> - General Revenue - Increased state aid funding	Unknown - More than \$100,000	Unknown - More than \$100,000	Unknown - More than \$100,000
<u>Transfer Out</u> - School Districts - Increased state aid	(Unknown - More than <u>\$100,000</u>)	(Unknown - More than <u>\$100,000</u>)	(Unknown - More than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - School Districts - Increased state aid	Unknown - More than \$100,000	Unknown - More than \$100,000	Unknown - More than \$100,000
<u>Costs</u> - School Districts - Virtual school education expenses	(Unknown - More than \$100,000)	(Unknown - More than \$100,000)	(Unknown - More than \$100,000)
	<u>Unknown - More than \$100,000 to</u>	<u>Unknown - More than \$100,000 to</u>	<u>Unknown - More than \$100,000 to</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Unknown - More than \$100,000</u>	<u>Unknown - More than \$100,000</u>	<u>Unknown - More than \$100,000</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This substitute revises the law on virtual education. In its main provisions the bill:

- (1) Increases the reimbursement percentage from 94 to 95%;
- (2) Defines "virtual school of choice";
- (3) Allows students residing in and eligible to attend a public school in a county that has contained any portion of a school district that has been declared unaccredited or an adjacent county to enroll in a virtual school of choice;
- (4) Distinguishes between virtual resident and virtual transfer students;
- (5) Limits the admission of virtual transfer students by a virtual school of choice to the number by which the aggregate amount debited to the residence district would exceed the amount credited to the district under the equity portion of the foundation formula plus its Prop C and

FISCAL DESCRIPTION (continued)

classroom trust fund moneys and limits admission overall to two percent of the state's enrollment;

(6) Requires two payments, one at half of course completion and one upon completion;

(7) Provides direction for funding when the state adequacy target used is different from the amount as calculated and for federal special education and Title I funding to follow the student;

(8) Requires any clearinghouse of transfer information to provide information on virtual courses and programs.

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

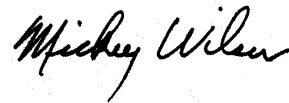
Special School District of St. Louis County
Cole R-1
Francis Howell
Fulton
Kansas City

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



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Director
April 7, 2014

Ross Strope
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April 7, 2014