

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5472-02
Bill No.: HCS for HB 2491
Subject: Education, Elementary and Secondary
Type: Original
Date: April 27, 2020

Bill Summary: This proposal modifies provisions related to the virtual school program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	Could exceed (\$506,034)	Could exceed (\$511,724)	Could exceed (\$1,302,917)
Total Estimated Net Effect on General Revenue	Could exceed (\$506,034)	Could exceed (\$511,724)	Could exceed (\$1,302,917)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	3 FTE	3 FTE	4 FTE
Total Estimated Net Effect on FTE	3 FTE	3 FTE	4 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government	(Unknown) to Could exceed \$345,475	(Unknown) to Could exceed \$345,475	(Unknown) to Could exceed \$1,063,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Elementary and Secondary Education (DESE)** assume:

Student Costs

Under §161.670, current full-time provider indicates an enrollment of 325. The department expects this legislation could increase enrollment up to 1,000.

Payments to Providers

Current

325 students x \$6,375 = \$2,071,875 Total payment to full-time provider(s)

Future

1000 student x \$6,375 = \$6,375,000 Total future payment to full-time providers

There is also a potential for 3 FTE to be added to current staff.

1 F.T.E. - Supervisor per 300 students

1 F.T.E. - Administrative Assistant per 2 registrars

1 F.T.E. - Data Specialist

Oversight notes this proposal will likely reduce transfers to districts for each student attending full time virtual school, and that § 161.670.3(3) limits DESE provider payments to the state adequacy target. To estimate DESE's transfer reduction to school districts, Oversight will multiply the number of pupils estimated to attend virtual school full time by the per-pupil TSR expenditure.

2018-2019 State Funding	\$4,347,446,561
2018-2019 Regular Term ADA ¹	818,473
Total State Revenue per pupil by regular term ADA	\$5,312

ASSUMPTION (continued)

Current

325 students x \$5,312 = \$1,726,400 savings to the formula

Future

1000 student x \$5,312 = \$5,312,000 savings to the formula

DESE estimates this bill could increase the number of students using online education from 325 to 1,000 in FY 2023. **Oversight** will show the cost to payment providers as estimated by DESE, and savings in state aid to districts for these students as estimated by Oversight.

Between increased costs for virtual education and reduced funding to schools for those same students, **Oversight** assumes DESE will see a cost increase for student funding of \$345,475 in FY 21-22 (\$2,071,875 - \$1,726,400), and \$1,063,000 in FY 23 (\$6,375,000 - \$5,312,000).

Officials at the **Park Hills School District** state: The Park Hill School District anticipates a fiscal impact from this legislation. Legislation related to the "Missouri Course Access and Virtual School Program" has a fiscal cost that is difficult to assess related to the revisions as districts cannot predict future enrollment numbers. The current deficits to the Park Hill School District under this program is approximately \$75,000-\$85,000 for the 2020-2021 school year.

In response to a previous version, officials at the **Shell Knob School District** assumed this bill has a negative fiscal impact on their district.

In response to a previous version, officials at the **Smithville Public School District** assumed to enroll a student full time in MOVA is approximately \$6300 per year. If all of our students currently taking online classes with our preferred vendors made this choice, we would currently be paying \$63,000 which is equivalent to a full-time teacher. As online programs become more popular, these fees will increase and are not sustainable by small districts like us.

Officials at the **Wellsville-Middletown R-I** school district assume in that we're a small hold-harmless district I don't see this bill as having much fiscal impact on us.

Because local responses indicated the bill would either save or cost school districts money, **Oversight** will show (Unknown) to Could exceed \$345,475 in FY 21-22, and (Unknown) to Could exceed \$1,063,000 for school districts in FY 23.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE			
<u>Cost - §161.670</u>			
Salaries	(\$79,620)	(\$96,499)	(\$136,536)
Fringe Benefits	(\$55,242)	(\$66,607)	(\$91,424)
Equipment and Expense	(\$25,697)	(\$3,143)	(\$11,957)
<u>Total Cost - DESE</u>	<u>(\$160,559)</u>	<u>(\$166,249)</u>	<u>(\$239,917)</u>
FTE Change - DESE	3 FTE	3 FTE	4 FTE
 <u>Cost - §161.670 - payments to providers</u>	 Could exceed (\$2,071,875)	 Could exceed (\$2,071,875)	 Could exceed (\$6,375,000)
 <u>Savings - §161.670 - reduced payments to districts</u>	 Could exceed <u>\$1,726,400</u>	 Could exceed <u>\$1,726,400</u>	 Could exceed <u>\$5,312,000</u>
 ESTIMATED NET EFFECT ON GENERAL REVENUE	 Could exceed <u>(\$506,034)</u>	 Could exceed <u>(\$511,724)</u>	 Could exceed <u>(\$1,302,917)</u>
 Estimated Net FTE Change on General Revenue	 3 FTE	 3 FTE	 4 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
SCHOOL DISTRICTS			
<u>Transfer</u> - Reduction in state revenue transfer to districts	Could exceed (\$1,726,400)	Could exceed (\$1,726,400)	Could exceed (\$5,312,000)
<u>Savings</u> - Reduction in payments to providers	Could exceed \$2,071,875	Could exceed \$2,071,875	Could exceed \$6,375,000
<u>Cost</u> - Civil penalties	(\$0 or <u>Unknown</u>)	(\$0 or <u>Unknown</u>)	(\$0 or <u>Unknown</u>)
SCHOOL DISTRICTS NET DIRECT FISCAL IMPACT	(Unknown) to Could exceed <u>\$345,475</u>	(Unknown) to Could exceed <u>\$345,475</u>	(Unknown) to Could exceed <u>\$1,063,000</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Currently, for purposes of calculation and distribution of state school aid, all students enrolled in the Missouri Course Access and Virtual School Program shall be included in the student enrollment of the school district in which the student physically is enrolled. This bill specifies that, full-time equivalent students shall not be included in the student enrollment of the school district in which such student resides. The Department of Elementary and Secondary Education (DESE) shall pay any Missouri Course Access and Virtual School Program 100% of its average per-pupil expenditure for each full-time equivalent student.

Currently, a school district or charter school is required to allow any eligible student who resides in such district to enroll in Missouri Course Access and Virtual School Program courses if, prior to enrolling in any such course, a student has received approval from his or her school district or charter school. The bill allows, such student to enroll in virtual courses if the student has received approval from DESE. DESE, rather than each school district or charter school, shall adopt a policy that delineates the process by which a student may enroll in courses provided by the Missouri Course Access and Virtual School Program. If DESE denies a student's request to enroll in such a course, local education agencies shall inform the student and the student's

FISCAL DESCRIPTION (continued)

family of their right to appeal any denial to the State Board of Education, rather than to the local school district board or charter school governing body.

Currently, if a school district or charter school denies a student's enrollment in a virtual course, such school shall provide its good cause justification for denial. Both the family and school administration shall also provide their reasons in writing to the members of the school board or governing body and the documents shall be entered into the official board minutes.

The bill specifies that, DESE shall provide its good cause justification for denying a student's enrollment in a virtual course. Both the family and DESE shall provide their reasons in writing to the State Board, and members of the State Board, rather than the school board or governing body, shall issue their decision in writing within 30 days. The bill repeals the provision allowing for an appeal to be made to DESE.

Currently, costs associated with such virtual courses are to be paid by the school district or charter school directly on a pro rata monthly basis based on a student's completion of assignments and assessments. The bill specifies that, costs shall be paid by the school district or charter school, or by DESE for full-time equivalent students, to the provider on a pro rata basis once per semester based on a student's completion of assignments and assessments.

Currently, school districts or charter schools are required to consider recommendations from DESE and evaluate the progress of enrolled students who are enrolled in any course or full-time virtual school, and may terminate or alter the course offering if it is found that the course or full-time virtual school is not meeting the educational needs of the students. The bill grants DESE the authority to terminate or alter the course offering for full-time equivalent students, and the responsibility of school districts and charter schools to monitor full-time student progress and success is repealed.

School districts or charter schools are required currently, to inform parents of their child's right to participate in the virtual schools program. The bill specifies that, any school district or charter school that fails to notify parents of his or her child's right to participate in the program shall be subject to civil penalties in an amount equal to \$100 for each day such school district or charter school is in violation of this requirement, including reasonable attorney's fees.

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 (DESE)
Shell Knob School District
Smithville Public School District
Wellsville-Middletown R-I



Julie Morff
Director
April 27, 2020



Ross Strope
Assistant Director
April 27, 2020