

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1695-01
Bill No.: HB 704
Subject: Education, Elementary and Secondary
Type: Original
Date: February 20, 2015

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 2016	FY 2017	FY 2018
General Revenue*	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

* Oversight assumes this proposal would not have a fiscal impact unless the foundation formula is fully funded. DESE was not able to provide Oversight of an estimate of when the foundation formula is to be fully funded. §162.1250 could add \$27 million in cost for every 10% of students choosing virtual schools.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Elementary and Secondary Education (DESE)** assume there is an unknown potential for increase to the state when the formula is fully funded and if there are a number of students who start taking virtual courses and who haven't been enrolled in public schools previously. The bill does not include any clause that would require a student to have previous enrollment in the district.

This legislation encompasses a large section of students in Missouri. With Riverview Gardens being unaccredited, this legislation would allow students in St. Louis County and the adjoining counties of St. Charles, Jefferson, and Franklin to participate. St. Louis City would also be participating. This represents a total of 323,359 students eligible.

In this five county area, 263 private schools have reported their information to DESE representing 44,384 students. Reporting by private schools is not mandatory so other private/parochial schools exist as well.

	# of Private Schools	Enrollment
St. Louis City	53	6,682
St. Louis County	155	25,461
St. Charles County	30	8,671
Jefferson County	10	1,472
Franklin County	15	2,098
Total	263	44,384

There are also 934 home school students that the school district has reported to DESE on Screen 15 of Core Data. This includes 308 in St. Charles County, 291 in St. Louis County, 198 in Jefferson County, and 137 in Franklin County. St. Louis City did not report any home school students. The home school number is also not a full accounting of this group. The sum of these two groups is 45,318. There is the potential for some of these students, who have not been enrolled in public schools, to now be enrolled in virtual school because the tuition is going to be paid by the local school district. It is appropriate to calculate an estimated cost to the state.

ASSUMPTION (continued)

According to the proposal, virtual resident student's district of residence will pay the provider of the virtual education the state adequacy target which is currently, \$6,131. \$6,131 (State Adequacy Target) would be the amount that the state would incur once the formula is funded per pupil. Until the formula is funded, this amount would decrease the share of funds for all districts and charter schools. MoVIP is averaging a cost of \$4,000 per pupil for full-time enrollment, but this proposal is giving the charter school \$2,131 additional dollars per pupil.

If 10% of the proposed number were students who haven't been enrolled in public school, the cost would be $4,514 * \$6,131 = \$27,675,334$ additional dollars added to the formula when the formula is fully funded. If 25% of the proposed number were students who haven't been enrolled in public school, the cost would be $11,330 * \$6,131 = \$69,464,230$ additional dollars added to the formula when the formula is fully funded.

The proposal indicates that DESE will transfer any federal special education and Title I funds associated with an individual virtual transfer student to the virtual academy. Federal law does not allow such transfers and ELL, Migrant, homeless funds are not addressed.

The proposal does not address any accountability measures except that the attendance would be reported by the virtual resident student's district of residence.

Oversight notes that DESE and the Office of Administration's Division of Budget and Planning were not able to provide Oversight with a projection of when the foundation formula may be fully funded. This proposal would not have a fiscal impact until such time as the formula is fully funded. Therefore, Oversight is not able to determine any fiscal impact.

Officials at the **Special School District of St. Louis (SSD)** assume the first full paragraph under section 4 is confusing which impacts the estimated impact of this proposed legislation. This appears to allow students in St. Louis County to transfer to a virtual academy even though their resident district is not unaccredited. Under IDEA, the resident district remains responsible for special education for students who choose to attend school in another school district. As such, transferring funds to a virtual school would adversely impact SSD if SSD remains responsible for the special education but loses the federal funding.

Officials at the **Malta Bend Schools** assume there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill changes the laws regarding virtual schools. In its main provisions, the bill:

- (1) Increases, for purposes of the calculation and distribution of state school funding, the required attendance of a student enrolled in a district or charter school virtual class, upon course completion, from 94% to 95% of the hours of attendance possible for the class delivered in the nonvirtual program in the student's resident district or charter school. Course completion must be calculated in two increments, 50% completion and 100% completion, based on the student's completion of defined assignments and assessments, with distribution of state funding to a school district or charter school at each increment equal to 47.5%, instead of the current 47%, of hours of attendance possible for the course delivered in the nonvirtual program in a student's school district of residence or charter school.
- (2) Specifies that a "virtual academy" is a school authorized to provide a full-time kindergarten through twelfth grade virtual program if it meets specified requirements.
- (3) Allows any student residing in this state who 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 to enroll in a virtual academy.
- (4) Distinguishes between a virtual resident student and a virtual transfer student.
- (5) Prohibits a virtual transfer student from being admitted to a virtual academy if the admission would cause the amount debited to the district of residence to exceed the amount credited to the

FISCAL DESCRIPTION (continued)

district under the equity portion of the foundation formula; the Classroom Trust Fund; and the School District Trust Fund, commonly known as Proposition C.

(6) Requires the Department of Elementary and Secondary Education to debit the monthly state-aid payment made to the district of residence of a virtual transfer student in an amount equal to the state adequacy target for each student enrolled in the program and credit the same amount to the virtual academy, one-half in the month of half completion and one-half in the month of total completion.

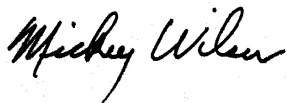
(7) Specifies how the department is to distribute state-aid payments in any year in which the foundation formula is less than fully funded and the state adequacy target amount used is lower than the state adequacy target. The department must transfer any federal special education and Title I funds associated with an individual virtual transfer student to the virtual academy.

(8) Specifies that if a clearinghouse organization is created to provide school transfer availability information, it must provide information furnished to it by schools offering courses and programs to virtual transfer students.

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
Malta Bends Schools
Special School District of St. Louis



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February 20, 2015

Ross Strobe
Assistant Director
February 20, 2015