

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5754-01  
Bill No.: HB 2123  
Subject: Education, Elementary and Secondary;  
Type: Original  
Date: February 5, 2016

Bill Summary: This proposal establishes the Missouri Course Access Program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Unknown greater than \$16,480,134)	(Unknown greater than \$32,671,179)	(Unknown greater than \$32,572,356)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Unknown greater than \$16,480,134)</b>	<b>(Unknown greater than \$32,671,179)</b>	<b>(Unknown greater than \$32,572,356)</b>

**\*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 has a provision that may not have a fiscal impact until such time as the formula is fully funded (\$161.1019). Oversight, for fiscal note purposes, is showing the impact of that provision as if the formula were fully funded.**

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 11 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
General Revenue	2 FTE	2 FTE	2 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>(Unknown greater than \$100,000)</b>	<b>(Unknown greater than \$100,000)</b>	<b>(Unknown greater than \$100,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

**Oversight** notes this proposal creates the Missouri Course Access Program to allow students to enroll in online, blended, and face-to-face courses. This program is not considered a part of the virtual online school program. This program is open to all students in the state.

**Oversight** notes this proposal allows the course providers to charge a fee per course negotiated by Department of Elementary and Secondary Education (DESE). This proposal requires DESE to provide the funding for the fee per course to the local school district who then would pay the fee to the course provider.

Officials at the **DESE** assume the following:

#### Funding for courses

§161.1010.2 (1) Course providers could provide individual courses in person, online or a combination of the two. This involves more than just online education.

§161.1010.2 (4) Open to all K-12 students who reside in the state. A student from a private school or home school could enroll part time in the district to take classes within this program.

Costs Analysis: Census data for Missouri shows that 1,099,136 students from ages 5 to 18 live within the state. Students enrolled in public schools in Missouri for this same age range of 5 to 18 is 887,368. This leaves 211,766 students that are either attending private schools or are home schooled. The bill does not include a clause that would require a student to have previous enrollment in the school district. For that reason there is a potential increase to the state when the formula is fully funded and if there are a number of students who start taking virtual courses who haven't been enrolled in public schools previously. Below are estimates of potential costs:

10% of these students 21,176 x \$6,110 (state adequacy target) = \$129,385,360

5% of these students 10,588 x \$6,110 (state adequacy target) = \$64,692,680

2.5% of these students 5,294 x \$6,110 (state adequacy target) = \$32,346,340

The proposed effective date is January 1, 2017. This tuition will become a cost beginning January 1, 2017 which would apply to half of the school year in FY 2017.

**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 has a provision that may not have a fiscal impact until such time as

ASSUMPTION (continued)

the formula is fully funded. Oversight for fiscal note purposes is showing the impact of that provision as if the formula were fully funded.

**Oversight** notes the impact would be the following depending on participation level:

100% of the students	211,766 x \$6,110 (state adequacy target)	= \$1,293,890,260
50% of the students	105,883 x \$6,110 (state adequacy target)	= \$646,945,130
25% of the students	52,942 x \$6,110 (state adequacy target)	= \$323,475,620
10% of the students	21,176 x \$6,110 (state adequacy target)	= \$129,385,360
5% of the students	10,588 x \$6,110 (state adequacy target)	= \$64,692,680
2.5% of the students	5,294 x \$6,110 (state adequacy target)	= \$32,346,340

**Oversight** for fiscal note purposes, will show the impact as greater than 2.5% of students enrolling in the program and therefore the impact is Unknown greater than \$32,457,514.

**Oversight** notes this proposal has an effective date of January 1, 2017. Therefore, the tuition impact would only be for half of FY 2017 and all for FY 2018 an FY 2019.

**Oversight** notes this proposal requires DESE to register and approve course providers (§161.1012), maintain a review and approval process for courses offered (§161.1014), maintain a website of all courses available (§161.1010) and to submit annual reports on the program (§161.1017).

**DESE** assumes that to accomplish the numerous tasks as outlined in the proposal, DESE would need 1 FTE director and 1 FTE administrative assistant.

**DESE** assume that the initial evaluation of courseware (first two years) will require \$200,000 per year to secure contract work for course authorization (requires practitioners from the field to be involved in the process). Courses can be added yearly along with a renewal every three years keeping the \$100,000 as a constant in the annual budget.

The proposed effective date is January 1, 2017. Staff requirements, contract review, and courseware evaluation will be necessary in FY 2017.

**Oversight** has, for fiscal note purposes only, adjusted the salary and benefits of the positions to correspond with the salaries posted by DESE for a current job vacancies for a similar positions. Additionally, Oversight will show the FTE costs provided by DESE. Should the program expenses exceed what DESE projects, then DESE could request additional FTE through the

ASSUMPTION (continued)

appropriation process.

**Oversight** notes this proposal requires school districts to actively participate in this program by notifying students and parents of the availability of these courses (§161.1018), reviewing courses taken by the students to ensure they meet the requirements for the student to graduate (§161.1011) and recording the courses on the student's transcript (§161.1018). Due to the information required to be distributed by schools and the monitoring required, Oversight will show an impact to school districts of Unknown greater than \$100,000.

Officials at the **Brentwood School District** assume if a dual enrollment of the equivalent of 10% of full-time students is anticipated, the loss of state ADA is estimated to be \$500 per student or \$40,000 per year. A 0.25 FTE for oversight could be anticipated to cost \$15,000 per year. No corresponding reduction in staff could be anticipated.

Officials at the **East Newton School District** assume that allowing students to take courses on line instead of at school could cost more than \$4,000.

Officials at the **Everton School District** assume \$20,000 in lost state aid.

Officials at the **Forsyth R-III School District** assume this would be a loss of revenue from the tax credits.

Officials at the **Kansas City Public Schools** assume the district cannot estimate the impact until such time that DESE promulgates rules to implement various sections of the proposed legislation. If a significant amount of additional funding is not appropriated to fully fund the K-12 education funding formula, there will be a negative impact to all school districts for whatever is implemented.

Officials at the **Kearney R-I School District** assume a cost of \$25,000 to \$75,000 annually.

Officials at the **Kingston 42 School District** assume an unknown fiscal impact.

Officials at the **Macon County R-IV School District** assume costs are hard to pinpoint. This appears to be an on-line program but it is not clear if students enrolled in the district would be required to participate on campus during regular hours. This could affect attendance figures (ADA, WADA) and could result in a loss of revenue if "seat time" could not be counted in the district's attendance calculation. If this factor was taken out, the costs to the district would be whatever costs courses incur. There would be costs for students enrolled in these courses and a

ASSUMPTION (continued)

possible additional loss of revenue due to the attendance issues stated.

Officials at the **Milan C-2 School District** assume the cost is difficult to project as it is unclear how many students would take these courses. It would require at a minimum an on-site supervisor of the kids taking these classes which would cost \$30,000 in salary and fringe. Additional costs would be incurred for the fees for the classes if the school is required to pay.

Officials at the **Monroe City R-I School District** assume it is difficult to project without knowing how many students. The technology already exists at the school so the only cost would be the fees to take the courses. If the school is required to pay the fee it could be expensive.

Officials at the **New Haven School District** estimate the cost to be approximately \$100 per credit for each student enrolled. It is unknown how many will apply.

Officials at the **Special School District of St. Louis** assume the cost is the notification of parents of the program.

Officials at the **St. Elizabeth R-IV School District** assume they are a small school and therefore would lose \$1,200 - \$1,400 per student of prop C money. If they have to pay tuition for kids taking all hours outside the district they could lose up to \$6,000 per student.

Officials at the **West Plains School District** assume the cost is uncertain. Additional costs related to course fees, redirected funding and additional staffing could be between \$20,000 - \$100,000.

Officials at the **Wright City R-II School District** assume they may need to add staff and bandwidth for the classes. Estimated cost \$120,000.

Officials at the **Malta Bend**, Middle Grove C-1 and the **Warren County R-III** school districts each assume there is no fiscal impact from this proposal to their respective district.

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for

ASSUMPTION (continued)

this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials at the following school districts: Arcadia Valley R-2, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, Eldon R-I, Fair Grove, Fair Play, Fayette R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kennett #39, King City R-1, Kirbyville R-VI, Kirksville, Lee Summit, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Mehville, Meramec Valley R-3, Mexico, Midway R-1, Moberly, Morgan County R-2, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County R-II, Parkway, Pattonville, Pettis County R-12, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Sedalia, Seymour R-2, Shelby County R-4, Shell Knob #78, Sikeston, Silex, Smithville R-2, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, Sullivan, Valley R-6, Verona R-7, Warrensburg R-6, Webster Groves and the Westview C-6 school districts did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE</b>			
	(Unknown greater than	(Unknown greater than	(Unknown greater than
<u>Cost - DESE - fee per course</u>	\$16,173,170)	\$32,346,340)	\$32,346,340)
<u>Cost - DESE</u>			
Personal Service	(\$62,260)	(\$75,459)	(\$76,214)
Fringe Benefits	(\$33,829)	(\$40,799)	(\$41,006)
Equipment and Expenses	<u>(\$10,875)</u>	<u>(\$8,581)</u>	<u>(\$8,796)</u>
<u>Total Cost - DESE</u>	(\$106,964)	(\$124,839)	(\$126,016)
FTE Change - DESE	2 FTE	2 FTE	2 FTE
<u>Cost - DESE - contract review</u>	<u>(\$200,000)</u>	<u>(\$200,000)</u>	<u>(\$100,000)</u>
	<b>(Unknown greater than</b>	<b>(Unknown greater than</b>	<b>(Unknown greater than</b>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$16,480,134</u></b>	<b><u>\$32,671,179</u></b>	<b><u>\$32,572,356</u></b>
Estimated Net FTE Change on General Revenue	2 FTE	2 FTE	2 FTE

**\*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 has a provision that may not have a fiscal impact until such time as the formula is fully funded (\$161.1019). Oversight, for fiscal note purposes, is showing the impact of that provision as if the formula were fully funded.**



<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>LOCAL SCHOOL DISTRICT FUNDS</b>			
<u>Costs</u> - School Districts - administration of this program	(Unknown greater than <u>\$100,000</u> )	(Unknown greater than <u>\$100,000</u> )	(Unknown greater than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICT FUNDS</b>	<b>(Unknown greater than <u>\$100,000</u>)</b>	<b>(Unknown greater than <u>\$100,000</u>)</b>	<b>(Unknown greater than <u>\$100,000</u>)</b>

FISCAL IMPACT - Small Business

Small businesses that offer, develop, provide or review these services could be fiscally impacted.

FISCAL DESCRIPTION

This bill establishes the Missouri Course Access Program. In its main provisions, the bill:

- (1) Specifies that the purpose of the program is to allow public school eligible students to enroll in on-line, blended, and face-to-face courses to supplement coursework offered at the school where the student is enrolled separate from the Missouri Virtual Instruction Program as provided (§161.1010);
- (2) Allows the local education agency to review enrollment requests to ensure courses are academically appropriate and feasible to keep a student on track for an on-time graduation and requires the agency to inform students and families of their right to appeal any enrollment denials to the DESE decision within seven days (§161.1011);
- (3) Requires the department to establish an authorization process for course providers, no later than 90 days from the initial submission date, that meets established criteria, provide courses offering instructional rigor and scope (§161.1012);
- (4) Requires the department to publish the process established under these provisions, including any deadlines and any guidelines applicable to the submission and authorization process for providers (§161.1013);

FISCAL DESCRIPTION (continued)

(5) Specifies the requirements for the department including publishing criteria; creating the catalog; publishing a link to the catalog on the department's website; establishing a time frame, including withdrawal dates; and maintaining an informed choice report on the website that includes specified information (§161.1014);

(6) Requires the department to submit an annual report on the program and the participation of entities to the Governor and the chairperson and vice-chairperson of the Joint Committee on Education that includes specified information. The report must be published on-line in an open format (§161.1017);

(7) Requires school districts and charter schools to notify students and parents as part of any course enrollment period or process of the availability of program courses in correspondence that is written in simple and accurate language, provide information by letter or email to students and parents at home and by at least two other means, and publish information and eligibility guidelines on the school and school district's websites (§161.1018);

(8) Requires the performance data of students who are enrolled in a course under these provisions to be counted in the school performance score for the school in which the student is enrolled full time (§161.1018);

(9) Specifies the determinations for per-course tuition under the program (§161.1019);

(10) Clarifies that the funding mechanism for the program must be paid from the department to the local education agency and from the local education agency to the course provider only for courses in which a student is enrolled and any remaining funds must remain with the local education agency in which the student is enrolled full time (§161.1019); and

(11) Bases the payment of tuition to course providers upon student success and the tuition to be made on a specified ratio (§161.1019).

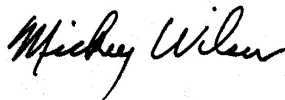
The effective date for these provisions is January 1, 2017.

The provisions of the bill will expire six years from the effective date.

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

Brentwood School District  
Department of Elementary and Secondary Education  
East Newton School District  
Everton School District  
Forsyth R-III School District  
Joint Committee on Administrative Rules  
Kansas City Public Schools  
Kearney R-I School District  
Kingston 42 School District  
Macon County R-IV School District  
Malta Bend School District  
Middle Grove C-1 School District  
Milan C-2 School District  
Monroe City R-I School District  
New Haven School District  
Office of the Secretary of State  
Special School District School District  
St. Elizabeth R-IV School District  
Warren County R-III School District  
West Plains School District  
Wright City R-II School District



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