

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1309H.011
 Bill No.: HB 754
 Subject: Education, Elementary and Secondary
 Type: Original
 Date: February 15, 2021

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	(Unknown, Could exceed \$2,125,611)	(Unknown, Could exceed \$2,077,771)	(Unknown, Could exceed \$2,189,882)
Total Estimated Net Effect on General Revenue	(Unknown, Could exceed \$2,125,611)	(Unknown, Could exceed \$2,077,771)	(Unknown, Could exceed \$2,189,882)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	1.5 FTE	1.5 FTE	2.5 FTE
Total Estimated Net Effect on FTE	1.5 FTE	1.5 FTE	2.5 FTE

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$1,963,500 or Less	\$1,963,500 or Less	\$1,963,500 or Less

FISCAL ANALYSIS

ASSUMPTION

Section 161.670

Officials from the **Department of Elementary and Secondary Education** estimate the following:

Section 1. The department estimates updating the branding of MOCAP to MCAVSP to be a minimal fiscal impact.

Section 3. (2) The legislation will require the department to update the student information system to develop and handle continuous enrollment for students not enrolled in a full time virtual school. DESE estimates a fiscal impact of \$50,000 with ongoing annual fees based on course enrollment.

Assumptions

The current full-time provider indicates an enrollment of over 1,500. The department expects this legislation could increase enrollment in full-time virtual instruction significantly. This provision states that the department will pay a full time virtual school program provider an amount equal to the average per-pupil expenditure for each full-time equivalent student plus any additional federal or state aid received on behalf of the student. The department will use the state adequacy target to determine the fiscal impact as that is the maximum amount allowed per student under 161.670.3 (3).

The current cost to the state for these students will vary by school districts as all school districts receive a different amount of state funding. In the 2019-2020 school year, the average state funding per ADA was \$5,066. The impact to state revenue will be stated as the difference between the state adequacy target and the average state funding per ADA.

State Adequacy Target:	\$6,375
State Funding/ADA:	\$5,066
Difference:	\$1,309

Payments to Providers

Current: 1,500 students x \$1,309 = \$1,963,500 Total new payment to full-time provider(s)

Future: For every 500 new student full-time enrollments x \$1,309 = \$654,500 Total future payment to full-time providers per 500 students.

The Department estimates a range of impact to state revenue of \$1,963,500 to an amount that may exceed \$2,617,500.

At a minimum one FTE will be required for increased monitoring of full time students. As additional students enroll in full time virtual schools, additional FTE may be required.

1 F.T.E. - Supervisor per 250 students

Please refer to the DESE Fiscal Note excel file for further explanation.

Section 11(6). The addition of comparative data and performance by students in their prior educational setting into the Annual Report will necessitate the development of new data rules in MOSIS and an additional data analyst to develop and run the reports. DESE estimates a fiscal impact for these additions and a .5 FTE for a Data Analyst to develop and run the needed reports.

Officials from the **Springfield R-XII School District** estimated an impact of \$2,300,000 which is 1% of enrollment (230 students leave to program x \$10,000).

Officials from the **High Point R-III School District** assume the proposal will have no fiscal impact on their organization.

Oversight notes this proposal appears to expand the eligibility for virtual school enrollment to any student who is eligible to enroll in a Missouri public school rather than to only students who have attended for a public school for at least one semester. Oversight assumes this proposal would allow previously homeschooled students and private school students to enroll in virtual courses full-time for which DESE would pay providers.

Oversight will show an unknown cost to General Revenue for increased enrollment. For every newly enrolled student achieving eligibility under this proposal, the cost is estimated at \$6,375 per student.

In addition, **Oversight** notes this proposal removes the existing requirement for school districts to approve a student's enrollment in virtual courses as well as the process for appealing that decision. Currently, parents can appeal a decision to the local school board and to the Department of Elementary and Secondary Education. Under this proposal, parents have the ultimate decision on whether to enroll their child in a virtual program.

Oversight has requested the number of students approved and denied for enrollment by school districts in the MOCAP program. However, DESE has not collected this type of data prior to rule 5 CSR 20-100.230 going into effect. 5 CSR 20-100.230 became effective on 1/30/21.

Oversight requested the number of applicants that have appealed to DESE. Per DESE, this school year they have had 6 appeals. Two were overturned and four have been upheld.

Oversight assumes this proposal removes full-time equivalent students from the student's resident district enrollment numbers consequently reducing the average daily attendance and therefore the state aid received by the district. This would result in a decreased call to the foundation formula for districts with full-time equivalent students. Oversight notes the foundation formula payment varies by district, however the State Revenue per pupil by regular term ADA is estimated at \$5,066 (per DESE). Oversight will show an estimated savings of \$7,599,000 to the foundation formula ($\$5,066 * 1,500$) and a subsequent loss to school districts for students being no longer included in the resident districts ADA. Oversight notes the average state funding per ADA of \$5,066 does not include other state aid; therefore, Oversight will show the saving to DESE and loss to districts as could exceed \$7,599,000.

Oversight notes this proposal states "The department shall pay any Missouri course access and virtual school program one hundred percent of its average per-pupil expenditure for each full-time equivalent student plus any additional federal or state aid received on behalf of the student."

Oversight notes the "average per-pupil expenditure" is estimated at \$5,066 per DESE; however, this phrase has no statutory reference or definition so the actual calculation is unclear. Also, it is unclear if this is referring to the Department's average expenditure or the virtual course provider's average expenditure. If the "average per-pupil expenditure" has a meaning other than the amount estimated by DESE for this fiscal note, this would potentially change the fiscal impact as presented in this fiscal note.

In addition, currently, virtual course providers are paid "any costs associated with such course or courses to be paid by the school district" up to the State Adequacy Target (\$6,375). In other words, providers are reimbursed the cost of their program. This proposal appears to provide a set payment to providers unrelated to the cost of the virtual courses.

Oversight notes "in computing the amount of state aid a school district is entitled to receive for the minimum school term only under section 163.031, a school district may use an estimate of the weighted average daily attendance for the current year, or the weighted average daily attendance for the immediately preceding year or the weighted average daily attendance for the second preceding school year, whichever is greater" §163.036. Oversight notes that the savings to the foundation formula from reduced enrollment in the student's resident district may not impact the General Revenue Fund until FY 2024; however, for consistency, Oversight will reflect the potential savings in FY 2022 with a footnote of the possible delayed positive impact.

This proposal also transfers the payment responsibility from school districts to the Department of Elementary and Secondary Education for the amount that is reimbursed to course providers for full-time equivalent virtual students. School districts would no longer pay virtual course providers for FTE virtual students. The savings to school districts is estimated at \$9,562,500

based on the current maximum payment rate of \$6,375 and the current MOCAP enrollment of 1,500 students.

Oversight notes per section 161.670.3 (3) “Payment for a full-time virtual school student shall not exceed the state adequacy target, unless the student receives additional federal or state aid.” Therefore, Oversight will show a cost to DESE for payment providers that could exceed \$9,562,500 ($\$6,375 * 1,500$) as well as a subsequent savings to school districts that no longer pay virtual course providers.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Costs – DESE</u>			
Personal Service	(\$50,310)	(\$60,976)	(\$101,833)
Fringe Benefits	(\$31,905)	(\$38,489)	(\$64,219)
Expense & Equipment	(\$29,896)	(\$14,806)	(\$31,327)
<u>Total Costs</u>	(\$112,111)	(\$114,271)	(\$226,382)
FTE Change – DESE	1.5 FTE	1.5 FTE	2.5 FTE
<u>Costs - DESE - update to student information system</u>	(\$50,000)	(Unknown)	(Unknown)
<u>Costs - DESE - virtual course provider payments paid by DESE - §161.670.2</u>	(Could exceed \$9,562,500)	(Could exceed \$9,562,500)	(Could exceed \$9,562,500)
<u>Costs - DESE - increased enrollment eligibility - §161.670.3</u>	(Unknown)	(Unknown)	(Unknown)
<u>Cost Avoidance - DESE - decreased call to the foundation formula and other state aid to districts - §161.670.2</u>	Could exceed \$7,599,000	Could exceed \$7,599,000	Could exceed \$7,599,000
ESTIMATED NET EFFECT ON GENERAL REVENUE	(Unknown, Could exceed \$2,125,611)	(Unknown, Could exceed \$2,077,771)	(Unknown, Could exceed \$2,189,882)
Estimated Net FTE Change on General Revenue	1.5 FTE	1.5 FTE	2.5 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
SCHOOL DISTRICTS			
<u>Revenue (Loss)</u> - decrease in foundation formula distributions and other state aid for virtual students - §161.670.2	(Could exceed \$7,599,000)	(Could exceed \$7,599,000)	(Could exceed \$7,599,000)
<u>Savings</u> - cost of no longer reimbursing virtual course providers - §161.670.2	Could exceed \$9,562,500	Could exceed \$9,562,500	Could exceed \$9,562,500
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	\$1,963,500 or Less	\$1,963,500 or Less	\$1,963,500 or Less

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 (MCAVSP) 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 and that scores on the statewide assessment for full-time equivalent students shall be attributed to the MCAVSP which will function as a local education agency. The Department of Elementary and Secondary Education (DESE) will pay 100% of its average per-pupil expenditure for each full-time equivalent student.

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.

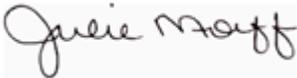
Currently, school districts or charter schools are required to consider recommendations from DESE and evaluate the progress of enrolled students who are enrolled in any course or full-time virtual school, and may terminate or alter the course offering if it is found that the course or full-time virtual 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 now granted to the virtual school providers. 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
High Point R-III School District
Springfield R-XII School District



Julie Morff
Director
February 15, 2021



Ross Strobe
Assistant Director
February 15, 2021