

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4591-02  
Bill No.: SCS for SB 912  
Subject: Education, Elementary and Secondary: Elementary and Secondary Education  
 Dept; Children and Minors  
Type: Original  
Date: March 20, 2006

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>        |                   |                               |                               |
|--|-------------------|-------------------------------|-------------------------------|
| FUND AFFECTED  | FY 2007           | FY 2008                       | FY 2009                       |
| General Revenue  | (\$96,466)        | (\$102,146 to Unknown)        | (\$104,698 to Unknown)        |
|  |                   |                               |                               |
| <b>Total Estimated Net Effect on General Revenue Fund*</b> | <b>(\$96,466)</b> | <b>(\$102,146 to Unknown)</b> | <b>(\$104,698 to Unknown)</b> |

**\*Subject to Appropriation**

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>        |            |                       |                       |
|---|------------|-----------------------|-----------------------|
| FUND AFFECTED   | FY 2007    | FY 2008               | FY 2009               |
| State School Moneys Fund*                               | \$0        | \$0 to Unknown        | \$0 to Unknown        |
|   |            |                       |                       |
| <b>Total Estimated Net Effect on Other State Funds*</b> | <b>\$0</b> | <b>\$0 to Unknown</b> | <b>\$0 to Unknown</b> |

**\*Offsetting Transfers In and Costs for FY 08 and FY 09 for the virtual school are unknown, but expected to exceed \$100,000, subject to appropriation**

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2007</b> | <b>FY 2008</b> | <b>FY 2009</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 LOCAL FUNDS</b> |                |                          |                          |
|--|----------------|--------------------------|--------------------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2007</b> | <b>FY 2008</b>           | <b>FY 2009</b>           |
| <b>Local Government*</b>                   | <b>\$0</b>     | <b>(\$0 to Unknown)*</b> | <b>(\$0 to Unknown)*</b> |

\*Dependant upon number of students enrolled in virtual school

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume 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 this proposal for Administrative Rules is less than \$1,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

According to the officials from the **Secretary of State - State Library**, the proposed legislation provides for transfer of some funds to the student's local school district, but makes no provision for providing support services for the student's assignments. Virtual school students are very likely to regard the public library as their main resource for materials needed to complete assignments, as home schooled students do now. This projects a cost onto public libraries, with no compensation for those services.

Missouri's 2005 K-12 school enrollment is listed on DESE website as 891,847. Few figures are available for virtual school enrollment in other states.

ASSUMPTION (continued)

An article dated 5/4/04 in the Christian Science Monitor gives an estimate 40,000 to 50,000 students in 37 states. For comparison, the U.S. Dept. of Education estimates about 2.2 percent, or 1.1 million students were home schooled in the U.S. in the spring of 2003. For this calculation participation in a virtual school is projected as follows:

2007-2008 school year - .5% of K-12 student population of 891,847 = 4459 students  
2008-2009 school year - .75%, or 6689 students  
2009-2010 school year - 1%, or 8918 students

Current DESE standards state ""Library media center expenditures for materials should be at least 1 percent of the state average per eligible student expenditure."" Current expenditures are listed as \$7679 per pupil which would require \$77 per student for library materials.

For 2007: 4459 students, public libraries would need \$343,343 for library materials.  
For 2008: 6689 students, \$515,053 is needed.  
For 2009: 8918 students, \$686,686 is needed.

Costs not included in this projection include personnel to assist students with assignments, and computer equipment and Internet access for those virtual school students without home access.

**Oversight** assumes the Department of Elementary and Secondary Education will oversee the set-up and coordination of the virtual school and services will be provided through the local schools. **Oversight** further assumes library media center expenditures under DESE standards are already in place and the proposal, which would not be effective until FY 2008, would not increase the number of students overall.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume DESE would identify qualified providers of online or virtual instruction. While DESE would oversee the virtual school, DESE would not house such instruction or its equipment. Districts or individuals would enroll with the providers.

The provisions of the bill as written would not begin until July 1, 2007, giving DESE a year to write the regulations, enter into contracts and modify data collection and payment systems, if needed. DESE would require 1.0 FTE Director and 1.0 FTE Secretary I to perform these preliminary duties and implement the program once established.

ASSUMPTION (continued)

Based on a cost of \$5,200 per FTE enrollment, DESE assumes participation in the program can be calculated as follows:

| <u>Fiscal Year</u> | <u>FTE enrollment</u> | <u>Cost per enrollment</u> | <u>Total</u> |
|--------------------|-----------------------|----------------------------|--------------|
| 2008               | 500                   | \$5,200                    | \$2,600,000  |
| 2009               | 750                   | \$5,200                    | \$3,900,000  |

**Oversight** assumes that, subject to appropriation, the virtual school will receive 85 percent of the state adequacy target attributable to each student enrolled in the virtual school that would offset costs attributed to the virtual school program. **Oversight** also assumes that, due to the new funding formula, there could be savings to state aid due to a decrease in state aid going to school districts with students enrolled in the virtual school. **Oversight** is unable to calculate the potential savings since an estimate of number of virtual school students cannot be determined.

Officials from the following school districts made the following assumptions in responding to the introduced version of this proposal:

Officials from the **Poplar Bluff School District** assume the proposed legislation could have a negative or positive fiscal impact on public schools. If the public schools have free access to the virtual school and are allowed to count the student for state aid purposes, the impact would be positive. If no state aid is allowed, students currently enrolled in public school that utilize the virtual school would cause a reduction in dollars coming to a school district.

Officials from the **Parkway School District** believe this proposal would negatively affect public schools, but an estimate is impossible at this time.

Officials from the **Francis-Howell School District** assume this proposed legislation would redirect state aid from the local school district to the virtual school. For FY2007-08, the Francis Howell School District would lose \$1,876.54 for every resident student who previously attended public schools in the District and then chose to enroll in the virtual school. Officials cannot estimate the number of students who may choose to enroll in a virtual school.

Officials from the **Kansas City, Missouri School District** assume their district will lose 85% of per pupil revenue for each student participating, but are unable to project the number of students who may participate in the program.

ASSUMPTION (continued)

A fiscal impact request was sent to the school districts of **Mexico, Cape Girardeau, Columbia, and others** who did not respond to a request for fiscal impact of the proposal.

| <u>FISCAL IMPACT - State Government</u>   | FY 2007<br>(10 Mo.)          | FY 2008                                      | FY 2009   |
|---|------------------------------|--|---|
| <b>GENERAL REVENUE</b>  |                              |  |   |
| <u>Cost - Department of Elementary and Secondary Education - Virtual School Program</u> |                              |  |   |
| Personal Costs (2 FTE)  | (\$56,646)                   | (\$70,905)                                   | (\$72,677)  |
| Fringe Benefits   | (\$25,399)                   | (\$31,241)                                   | (\$32,021)  |
| Equipment and Expense   | (\$13,421)                   | \$0  | \$0   |
| Program Cost  |                              | (Unknown -<br>Expected to<br>Exceed<br>\$0   | (Unknown -<br>Expected to<br>Exceed<br>\$100,000) |
| <br>TOTAL PROGRAM COSTS   | <br><u>(\$96,466)</u>        | <br>(\$102,146 to<br><u>Unknown</u> )        | <br>\$104,698 to<br><u>Unknown</u> )              |
| <br><b>ESTIMATED NET EFFECT ON<br/>GENERAL REVENUE*</b>                                 | <br><b><u>(\$96,466)</u></b> | <br><b><u>(\$102,146 to<br/>Unknown)</u></b> | <br><b><u>(\$104,698 to<br/>Unknown)</u></b>      |

**\*Subject to Appropriation**

| <u>FISCAL IMPACT - State Government</u> | FY 2007<br>(10 Mo.) | FY 2008 | FY 2009 |
|---|---------------------|---------|---------|
|---|---------------------|---------|---------|



This proposed legislation requires the State Board of Education to establish a virtual school by July 1, 2007.

Any student in kindergarten through grade 12 may enroll, regardless of the physical location within the state in which the student resides. State school aid will treat the student as part of the enrollment of the district in which the student physically resides, at the choice of the student's parent or guardian. The virtual school will report aid-related data to the district of residence. The school district will receive 15% and the virtual school will receive 85% of the state aid attributable to the student. A full-time equivalent student is one who completes six credits per regular term, and each virtual course counts as one class.

The virtual school must comply with all laws applicable to school districts including the state accreditation program, adequate yearly progress, annual performance report, teacher certification, and curriculum standards.

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

LD:LR:OD (12/02)

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Department of Elementary and Secondary Education  
Office of Secretary of State  
Administrative Rules Division  
State Library  
School Districts  
Poplar Bluff  
Francis-Howell  
Parkway  
Kansas City

**NOT RESPONDING**

**School Districts**  
**Cape Girardeau**  
**Mexico**  
**Nixa**  
**Other school districts**



Mickey Wilson, CPA  
Director  
March 20, 2006