

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4591-04
Bill No.: HCS for SS for SCS for SB 912
Subject: Education, Elementary and Secondary: Elementary and Secondary Education
 Dept; Children and Minors
Type: Original
Date: April 26, 2006

FISCAL SUMMARY

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

***Subject to Appropriation**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
State School Moneys Fund*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds*	\$0	\$0	\$0

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

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

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.

In response to an earlier version of this proposal, 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 which should offset costs attributed to the virtual school program.

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** does not anticipate a significant fiscal impact on their district.

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 \$2,207.70 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.

Oversight assumes certain school districts will have a potential unknown cost due to decreases in state aid, making more aid available to other districts; however, the total statewide school aid funding will not be affected.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Cost</u> - Department of Elementary and Secondary Education - Virtual School Program			
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 - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)
 	 \$0	 \$100,000)	 \$100,000)
TOTAL PROGRAM COSTS	<u>(\$96,466)</u>	(\$102,146 to <u>Unknown</u>)	\$104,698 to <u>Unknown</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE*	<u>(\$96,466)</u>	<u>(\$102,146 to Unknown)</u>	<u>(\$104,698 to Unknown)</u>
* Subject to Appropriation			
 STATE SCHOOL MONEYS FUND			
<u>Transfer In</u> - Department of Elementary and Secondary Education - Virtual School Program*	\$0		
		Unknown - Expected to Exceed \$100,000)	Unknown - Expected to Exceed \$100,000)
<u>Transfer Out</u> - Disbursement to Virtual School Program (85% of the State Adequacy Target attributable to each pupil enrolled)*	\$0	(Unknown - Expected to Exceed \$100,000)	(Unknown - Expected to Exceed \$100,000)
ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
*Subject to appropriation			

<u>FISCAL IMPACT - Local Government</u>	FY 2007	FY 2008	FY 2009
	<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.

DESCRIPTION

This proposed legislation requires the State Board of Education to establish a virtual public school by July 1, 2007. Any pupil in kindergarten through grade 12 may enroll, regardless of where the pupil lives within the state. State school aid will treat the pupil as part of the enrollment of the district in which the pupil physically resides if the parent so chooses. The virtual public school will report aid-related data to the district of residence. A full-time equivalent pupil is one who completes six credits per regular term, and each virtual course counts as one class.

The school district will retain 15% of state aid under Section 163.031, RSMo, related to the funding formula and Section 163.043, related to the Classroom Trust Fund, attributable to the student; and the virtual public school will receive 85% of the state adequacy target attributable to the student. The virtual public 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.

The State Board of Education through the rule-making process and the Department of Elementary and Secondary Education in its policies and procedures shall ensure that multiple content providers are allowed.

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
Office of Secretary of State

Administrative Rules Division

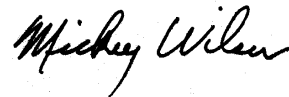
School Districts

Poplar Bluff

Francis-Howell

Parkway

Kansas City



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Director
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