

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4858-02
Bill No.: SB 603
Subject: Elementary and Secondary Education; Department of Elementary and Secondary Education
Type: Original
Date: January 26, 2018

Bill Summary: This proposal modifies provisions relating to course access in virtual education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	Unknown to (Could exceed \$100,000)	Unknown to (Could exceed \$100,000)	Unknown to (Could exceed \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the number of potential new vendors and courses is unknown; therefore, the cost is unknown. For every 10 additional vendors, one FTE at the assistant director level would be needed to continue to provide the current level of service to families and vendors. As the number of vendors increases the staffing ratio may shift to accommodate more than 10 vendors for each additional FTE. In addition, contractual costs for review of course content are estimated at \$200 per course based on current contracts. DESE defers to local school districts and charter schools.

Oversight notes that this proposal would allow any person, organization or entity to submit courses for approval. Currently there are 7 vendors providing the courses. In response to this legislation, DESE has stated they would need one Director to run the program should 10 additional vendors be added.

Oversight is unable to determine if additional vendors will submit courses for review. Oversight assumes the current FTE could handle the program. Should a sufficient number of new vendors and courses be submitted to justify additional FTE, DESE could request the FTE through the appropriation process.

Oversight notes this proposal allows DESE to charge a fee to organizations submitting courses for review if there is not funding for DESE to complete the review. Oversight notes this proposal sets the fee at no more than what is necessary to pay for the review of the courses. Oversight assumes that if DESE must impose this fee, it will cover all costs.

Officials from **DESE** assume this proposal would require continuous monitoring of student progress and the provider, including but not limited to, response time to students and student engagement. For every additional 200 courses, one MoVIP counselor at \$24,999 would be required.

Oversight assumes the current FTE could handle the volume. Should a sufficient number of new courses be required to justify additional FTE, DESE could request the FTE through the appropriation process.

Officials from the **Kirksville R-III School District** assume the proposal would have limited negative fiscal impact on the district.

ASSUMPTION (continued)

Officials from the **Summersville R2 School District** assume it is impossible to quantify a fiscal impact at this time.

Officials from the **West Plains School District** assume this proposal would be an additional cost to the district as the students taking these courses will likely already be enrolled, yet those funds will now be diverted to an outside provider instead of being available to pay teacher salaries. Estimated annual cost is \$ \$60,000 - \$600,000 depending on student demand.

Oversight notes that SB 912 in 2006 created Missouri's virtual school known as MoVIP. In FY 2018 MoVIP is offering 1,038 semester courses in grades K-12:

- 757 higher school semester courses
- 166 middle school courses
- 115 elementary school semester courses
- 7 foreign language courses

Oversight notes, per the code of state regulations (5 CSR 20-100), students are currently eligible to take up to 6 virtual credits per school year, subject to state appropriations. However, state funded slots for virtual education are currently restricted to medically-fragile students. The number of students receiving state funded virtual education totaled 543 in FY 2015, 661 in FY 2016 and 405 in FY 2017. The projected number of students to receive state funding for virtual education in FY 2018 is 800.

Per the Department of Elementary and Secondary Education FY 2019 budget request, virtual education appropriations for FY 2018 totaled \$589,778. Actual expenditures for virtual education totaled \$438,027 in FY 2017 with \$358,724 funded from lottery proceeds and \$79,303 from general revenue. Oversight assumes the state will continue to fund virtual education for the medically fragile.

Oversight notes that a portion of this proposal changes Missouri's virtual school name to the "Missouri Course Access Program." Oversight assumes this name change would not have a fiscal impact on the program.

Oversight notes this proposal allows any K-12 student to enroll in virtual courses through the Missouri Course Access Program if the student has attended the district for at least one semester immediately prior to enrollment and has received approval from the school counselor.

ASSUMPTION (continued)

Oversight assumes this proposal shifts the responsibility of paying the course providers from the Department of Elementary and Secondary Education to local school districts. Oversight assumes this proposal requires school districts to pay for the virtual courses.

Oversight notes this proposal restricts the cost the school districts must pay to no more than 14% of the state adequacy target per course ($\$161,670.4(3)$). The current state adequacy target is \$6,308, meaning each school district could reimburse a course a provider no more than \$883 ($\$6,308 \times 14\%$) per course.

Oversight notes the current high school courses offered by MoVIP have an average cost of \$343 per semester-long course and range in price from \$100 to \$817. Oversight assumes a full-time equivalent virtual course load is six credits per term (12 courses per year). Based on the average cost per course, the cost for a full-time, year-long course load would equal \$4,116 (12 courses * \$343). Oversight notes the state aid payment per enrolled student is estimated at \$5,075.

According to the National Center for Education Statistics, the national average for virtual school enrollment was .4% of total enrollment. If .4% of students enrolled in Missouri public schools participated in the virtual courses, program participation would equal 3,536 ($883,957 * .004$). If the 3,536 participating students each took a full-time virtual course load, it would cost \$14,554,176 ($3,536 * \$4,211$) using the average cost per course.

Oversight notes the transfer of students out of the public schools and into the virtual school setting would potentially save the school districts the cost of educating the students that transferred to virtual courses. As of January 2017, the average school district expenditure per ADA was \$10,437. If 3,536 students took a full-time virtual course load, the savings to school districts is estimated at \$36,905,232 ($3,536 * \$10,437$).

However, **Oversight** notes some of the expenditures of the school district may be fixed costs (such as debt service payments and facility maintenance operations) and may not change as students transfer. Based on calculations from the National Public Education Financial Survey, Oversight estimated the fixed costs of school expenditures at 36% with the remaining 64% being variable costs. Of the \$10,437 in average expenditures per ADA, \$6,680 is estimated to be variable cost ($\$10,437 * .64 = \$6,680$). Assuming fixed costs, if 3,536 students enroll in a fulltime equivalent virtual course load, then the savings to local districts is estimated at \$23,620,480 ($3,536 * \$6,680$).

ASSUMPTION (continued)

Additionally, schools may be subject to economies of scale suggesting that the savings generated per change in student may be less than the average cost per student. (For instance if one student transfers, the school may not be able to reduce fixed costs as noted early nor may it be able to reduce the instructional staff due to requirements such as limits on class size, etc.) Estimating the savings to the school districts would largely depend on circumstances of each individual school: the size of the school, the number of students enrolling in a full-time equivalent virtual course load, presence of fixed costs and economies of scale.

Oversight notes current statute (§161.670.3(3)) allows school districts to receive 15% of the state aid attributable to any student who is included in the district's enrollment and is taking virtual courses. Oversight assumes this proposal eliminates this distribution. Per DESE, school districts are not currently receiving this distribution. Oversight assumes this proposal would not have a fiscal impact on the state or school districts.

Oversight notes that students must receive approval from the school counselor before they are able to participate in the Missouri Course Access program. Oversight cannot determine how many students would switch from a traditional classroom setting to virtual courses or how many virtual courses each student would elect to take. Oversight will show the impact to the school districts as an unknown savings to could exceed \$100,000 in costs.

Oversight notes this proposal allows home schooled students and private school students to enroll in the Missouri Course Access Program. However, it requires these students to pay their own tuition for the courses. Therefore, this portion of the proposal would not have a fiscal impact to the state or school districts.

Oversight notes this proposal does not require school districts to provide computers, equipment or internet access to any student. Oversight assumes this portion of the proposal would not have a fiscal impact on the state or school districts.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
LOCAL SCHOOL DISTRICTS			
<u>Savings</u> - students transferring from a traditional classroom setting to virtual courses	Unknown	Unknown	Unknown
<u>Cost</u> - students taking courses through the MO Course Access Program, paid for by school districts	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICT FUNDS	Unknown to (Could exceed <u>\$100,000</u>)	Unknown to (Could exceed <u>\$100,000</u>)	Unknown to (Could exceed <u>\$100,000</u>)

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act changes the Missouri Virtual Instruction Program (MOVIP) to "The Missouri Course Access Program" (MCAP) and allows any K-12 student to enroll in MCAP courses, to be paid by the school district, if the student is a public school student and the course is approved by a school counselor or the person assigned to register students for classes.

School districts shall pay course providers no more than 14% of the state adequacy target for each course in which a student enrolls. School districts shall also monitor student progress, success, and course quality and submit an annual report to the Department.

A course provider shall be authorized if it meets certain requirements as set forth in the act. The Department of Elementary and Secondary Education shall publish the authorization process along with deadlines and guidance applicable to the submission process. The Department shall also establish a course review and approval process. If there are insufficient funds to evaluate and authorize course providers, the Department may charge applicant course providers a fee to ensure that evaluation occurs.

FISCAL DESCRIPTION (continued)

Course providers shall annually report student data to the Department.

To be authorized, a course provider shall comply with applicable anti-discrimination policies as well as state and federal student privacy provisions, go through the approval process implemented by the Department, and provide courses that possess an assessment component for determining student proficiency and if applicable, student growth, and be aligned to relevant state academic or industry standards.

The Department shall submit an annual report to the Joint Committee on Education that includes information as described in the act. The report shall be published online.

Courses already approved through the Missouri Virtual Instruction Program shall automatically be authorized to participate in the program. The initial course authorization shall be for three years.

The act requires the State Board of Education to provide an easily accessible link for course providers on the MCAP website, allows anyone to submit courses for approval, and requires course providers to accept monthly payments for students enrolled in their courses.

The act becomes effective January 1, 2019.

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
Kirksville R-III School District
Summersville R2 School District
West Plains School District

Ross Strobe



Acting Director

L.R. No. 4858-02
Bill No. SB 603
Page 9 of 9
January 26, 2018

January 26, 2018