

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4858-04  
Bill No.: SCS for SB Nos. 603, 576 & 898  
Subject: Elementary and Secondary Education; Department of Elementary and Secondary Education  
Type: Original  
Date: February 16, 2018

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

**FISCAL SUMMARY**

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<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 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>Unknown to (Could exceed \$100,000)</b>	<b>Unknown to (Could exceed \$100,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Sections 161.670 and 167.121

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. Costs would increase based on the number of courses added to the catalog.

**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.

#### Section 161.670.5(1)

**DESE** assumes this provides for multiple course submissions per year. Current practice allows for submissions every three years. Changes in this section may cause program expansion.

#### Sections 161.670.3(5)

**DESE** assumes there will be a cost to develop individual learning plans for each student who is not enrolled in a school district which can be absorbed with existing MoVIP staff and contractors. For every additional 100 students, one MoVIP counselor at \$24,999 would be required. Districts that have students enrolled would develop learning plans for their own students. Learning Management System Licenses will cost \$5.00 per enrolled student. This allows for progress monitoring of students.

**Oversight** is unable to determine if additional students will need individual learning plans. Oversight assumes the current FTE could handle the volume. Should a sufficient number of new individual learning plans be required to justify additional FTE, DESE could request the FTE through the appropriation process.

#### Bill as a whole

Officials from the **Kirkville R-III School District** assume this proposal will have a limited negative fiscal impact on the district.

ASSUMPTION (continued)

Officials from the **Summersville R2 School District** assume this proposal will have a moderate fiscal impact.

Officials from the **Wellsville-Middletown R-1 School District** assume this proposal has the potential to have a substantial negative effect on the district unless there is a provision that allows the school to limit the available online courses to those that are not currently offered. If not, the district may end up paying for a full-time teacher and for online courses for the same subject.

**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, up to full-time, 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 district or charter school.

ASSUMPTION (continued)

**Oversight** assumes this proposal shifts the responsibility for 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 year-long course or no more than 7% of the state adequacy target per any single semester equivalent course (§161.670.3(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 year-long course or up to \$441 ( $\$6,308 \times 7\%$ ) per semester-long course.

**Oversight** notes the current high school courses offered by MoVIP have an average cost of \$343 per semester 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 maximum payment for a full-time virtual student shall not exceed the state adequacy target \$6,308. Oversight notes the state aid payment per student for the 2016-2017 school year was 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 or up to \$22,305,088 ( $3,536 * \$6,308$ ) using the maximum reimbursement amount.

**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 ( $3,536 * \$10,437$ ).

ASSUMPTION (continued)

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 ( $\$10,437 * .64$ ). Assuming fixed costs, if 3,536 students enroll in a full-time equivalent virtual course load, then the savings to local districts is estimated at \$23,620,480 ( $3,536 * \$6,680$ ).

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 virtual courses, presence of fixed costs and economies of scale.

**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 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 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 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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**LOCAL SCHOOL DISTRICTS**

<u>Savings</u> - students transferring from a traditional classroom setting to full-time virtual courses	\$0	Unknown	Unknown
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<u>Cost</u> - students taking courses through the MO Course Access Program, paid for by school districts	<u>\$0</u>	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )
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<b>ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICTS FUNDS</b>	<u>\$0</u>	<b>Unknown to (Could exceed <u>\$100,000</u>)</b>	<b>Unknown to (Could exceed <u>\$100,000</u>)</b>
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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 and Virtual School Program" and allows any eligible student to enroll in Program courses of his or her choice to be paid by the school district or charter school, if the student has been enrolled full-time in a public school, including a public charter school, for at least one semester immediately prior to enrolling in the Program, and the course is approved by the school district or charter school through a procedure described in the act.

A school district or charter school shall pay, for any single, year-long course for a student, the market necessary costs or 14% of the state adequacy target as calculated at the end of the most recent school year. A school district or charter school shall pay no more than 7% of the state

FISCAL DESCRIPTION (continued)

adequacy target as calculated at the end of the most recent school year for any single, semester-long course. School districts and charter schools may negotiate with the course providers for a lower cost. Payment for a full-time virtual school student shall not exceed the state adequacy target, unless the student receives additional federal or state aid.

If a student who is a candidate for A+ tuition reimbursement enrolls in a course under the act, the school shall attribute no less than 95% attendance to any such student who has completed such course.

Individual learning plans shall be developed for all students enrolled in more than 2 full-time Program courses.

The Department of Elementary and Secondary Education shall establish an authorization process for course providers and authorize those providers that submit all necessary information and offer courses that align to state academic standards.

The Department shall publish the authorization process along with deadlines and guidance applicable to the submission 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. The authorization process shall provide for continuous monitoring of course providers and courses. The Department shall revoke, suspend, or take other corrective action if a provider or individual course no longer meets the requirements of the Program. A provider shall be given a reasonable time period to take corrective action to avoid such revocation or suspension. Authorization renewal shall take place at least once every two years. The act requires the State Board of Education to provide an easily accessible link for course vendors on the Program website allows anyone to submit course for approval, and requires vendors to accept monthly payments for students enrolled in their courses.

Courses already approved through MOVIP shall automatically be authorized to participate in the Program.

The act becomes effective July 1, 2019.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.



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SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Kirksville R-III School District  
Summersville R2 School District  
Wellsville-Middletown R-1 School District

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director  
February 16, 2018