

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4858-07  
Bill No.: CCS for HCS for SS for SCS for SB Nos. 603, 576 & 898  
Subject: Elementary and Secondary Education; Higher Education; Department of  
 Elementary and Secondary Education  
Type: Original  
Date: May 16, 2018

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

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>          |  |  |  |
|--|--|--|--|
| FUND AFFECTED  | FY 2019                                    | FY 2020                                    | FY 2021                                    |
| General Revenue  | \$0 or (Could exceed<br>\$960,000)         | \$0 or (Could exceed<br>\$960,000)         | \$0 or (Could exceed<br>\$960,000)         |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue</b> | <b>\$0 or (Could exceed<br/>\$960,000)</b> | <b>\$0 or (Could exceed<br/>\$960,000)</b> | <b>\$0 or (Could exceed<br/>\$960,000)</b> |

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 12 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

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

#### 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. If reporting of effectiveness and student progress monitoring for learning management systems outside the state LMS is required, additional 2 F.T.E. at the supervisor level (minimum of \$38,352 each) will be required.

**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** is unable to determine if additional reporting and monitoring is required. Oversight assumes current FTE can handle the reporting and monitoring requirements. If additional FTE are required to handle the reporting and monitoring, 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 (§161.670.8). 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 section 161.670.5(1) provide for multiple course submissions per year. Current practice allows for submissions every three years. Changes in this section may cause program expansion.

Officials from **DESE** assume 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

ASSUMPTION (continued)

required. Each additional LMS beyond the state-provided one will require one additional MoVIP counselor for academic plan development and student monitoring. 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.

In response to a previous version, Perfected SS for SCS for SB Nos. 603, 576 & 898 (LR 4858-05), officials from the **Kirkville R-III School District** assumed this proposal would have a limited negative fiscal impact on the district.

In response to a previous version, Perfected SS for SCS for SB Nos. 603, 576 & 898 (LR 4858-05), officials from the **Summersville R2 School District** assumed this proposal would have a moderate fiscal impact.

In response to a previous version, Perfected SS for SCS for SB Nos. 603, 576 & 898 (LR 4858-05), officials from the **Wellsville-Middletown R-1 School District** assumed 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.

ASSUMPTION (continued)

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 and Virtual School 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 and Virtual School Program if the student has attended a public school for at least one semester immediately prior to enrollment.

**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 x 14%) per year-long course or up to \$441 (\$6,308 x 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 (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 average 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 (3536 \* \$4,211) using the average cost per course or up to \$22,305,088 (3,536 \* \$6,308) using the maximum reimbursement amount.

ASSUMPTION (continued)

**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 ( $\$10,437 * .64$ ). 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 provision 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 and Virtual School 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.

ASSUMPTION (continued)

**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.

**Oversight** notes this proposal allows any school district or charter school authorized to provide online courses to be considered an approved provider for the Missouri Course Access and Virtual School Program (§161.670.3(14)). Oversight will show an increase in revenue for school districts receiving payments for offering courses as a provider for the Missouri Course Access and Virtual School Program.

§173.1101 to §173.1107

In response to a previous version, HCS for SS for SCS for SB Nos. 603, 576 & 898 (LR 4858-06), officials from the **Department of Higher Education (DHE)** assumed section §173.1101 adds virtual institutions (defined in subdivision (4)) to the list of those approved to participate in the Access Missouri Financial Assistance Program.

Currently, the only institution that meets the definition of "virtual institution" is Western Governor's University. To be eligible for Access Missouri, students need to file their FAFSA by the priority deadline of February 1, or the final deadline of April 1, each year. While not all students will file by the final deadline, we do expect the number who do to increase.

Since an increase in the number of eligible students does not require a specific increase in the appropriation to the program, the projected fiscal impact of this change is zero. However, there are about 480 students who indicated they will attend Western Governors University during the 2017-2018 academic year who have an expected family contribution of less than \$12,000, making them potentially eligible for an award. The current award amount is \$2,000, and adding this pool of students could require \$960,000 (480 x \$2,000) to continue to maintain award amounts.

In response to a similar proposal, SB 682 (LR 4927-01), officials from **Missouri Western State University** assumed this proposal has a potential indeterminate fiscal impact on Missouri Western due to potential decrease in enrolled students who enroll in a virtual institution and increasing number of students applying for limited amount of Access Missouri funds, lowering scholarship amount for all students in program.

In response to a similar proposal, SB 682 (LR 4927-01), officials from the **University of Missouri System** assumed there was no negative fiscal impact on the university.

ASSUMPTION (continued)

**Oversight** notes this proposal would allow students that attend approved virtual institutions to receive money from the Access Missouri Financial Assistance Program. This would allow students from Western Governors University to receive this funding.

**Oversight** notes the Access Missouri Financial Assistance Program is designed to provide need-based financial aid to eligible Missouri residents. Students with an expected family contribution below the established cutoff are eligible for the award. Award amounts are graduated, using statutory formula, based on the student’s expected family contribution.

Starting in FY 2015 and beyond the award amounts are:

Public two-year sector = \$300 minimum and \$1,300 maximum

Public four-year sector and State Technical College = \$1,500 minimum and \$2,850 maximum

Private institutions = \$1,500 minimum and \$2,850 maximum.

|                     | FY 2015<br>Actual | FY 2016<br>Actual | FY 2017<br>Actual | FY 2018<br>Target |
|---------------------|-------------------|-------------------|-------------------|-------------------|
| Number of Students  | 51,367            | 48,299            | 44,480            | 45,443            |
| Appropriated Amount | \$68,682,307      | \$59,682,507      | \$63,682,307      | 63,682,307        |

Source: DHE budget submission

**Oversight** notes each year the Legislature appropriates funding for the Access Missouri Financial Assistance Program, from General Revenue, Lottery Proceeds and other Funds. For FY 2018, \$63,682,307 was appropriated for a projected 45,443 students. Should the amount of the appropriation remain the same and the number of eligible students increase, then the amount distributed to each individual student would be reduced. Should the Legislature decide to increase the appropriation to cover the additional Western Governors University students, then General Revenue would be impacted but the individual student’s funding level would not. Oversight will show the impact as \$0 (no additional funds appropriated) or could exceed the estimate provided by DHE, depending upon appropriation authority changes for FY 2019 and beyond.

ASSUMPTION (continued)

In response to a previous version, Perfected SS for SCS for SB Nos. 603, 576 and 898 (LR 4858-05), officials from the **State Technical College of Missouri** assumed the proposal would have no fiscal impact on their organization.

In response to a similar proposal, SB 682 (LR 4927-01), officials from the **Office of the Governor** and **University of Central Missouri** assumed the proposal would have no fiscal impact on their organizations.

Officials from **Missouri State University** assume this proposal has no fiscal impact on the university.

| <u>FISCAL IMPACT - State Government</u>   | FY 2019   | FY 2020   | FY 2021   |
|---|---|---|---|
| <b>GENERAL REVENUE</b>  |   |   |   |
| <u>Cost - DHE - potential increased Access MO Financial Assistance Program funding for students attending a virtual institution - §173.1101 to §173.1107 - pages 7 to 9</u> | \$0 or (Could exceed<br><u>\$960,000</u> )        | \$0 or (Could exceed<br><u>\$960,000</u> )        | \$0 or (Could exceed<br><u>\$960,000</u> )        |
| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>  | <b>\$0 or (Could exceed<br/><u>\$960,000</u>)</b> | <b>\$0 or (Could exceed<br/><u>\$960,000</u>)</b> | <b>\$0 or (Could exceed<br/><u>\$960,000</u>)</b> |

| <u>FISCAL IMPACT - Local Government</u>   | FY 2019           | FY 2020   | FY 2021   |
|---|-------------------|---|---|
| <b>LOCAL SCHOOL DISTRICTS</b>   |                   |   |   |
| <u>Revenue</u> - school districts receiving payments for offering courses as a provider through Missouri course access and virtual school program - §161.670.3(14) - page 7 | \$0               | Unknown   | Unknown   |
| <u>Savings</u> - students transferring from a traditional classroom setting to full-time virtual courses - §161.670 - page 6  | \$0               | Unknown   | Unknown   |
| <u>Cost</u> - students taking courses through the MO Course Access and Virtual School Program, paid for by school districts - §161.670 - page 5                             | <u>\$0</u>        | (Could exceed<br><u>\$100,000</u> )                       | (Could exceed<br><u>\$100,000</u> )                       |
| <b>ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICTS FUNDS</b>   | <b><u>\$0</u></b> | <b>Unknown to<br/>(Could exceed<br/><u>\$100,000</u>)</b> | <b>Unknown to<br/>(Could exceed<br/><u>\$100,000</u>)</b> |

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.

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 adequacy target as calculated at the end of the most recent school year for any single,

FISCAL DESCRIPTION (continued)

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 three 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.

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

This act allows students enrolled in approved virtual institutions, as defined in the act, to participate in the Access Missouri Financial Assistance Program. A virtual institution is required to continuously maintain certain specified requirements to be considered an approved virtual institution.

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  
Department of Higher Education  
Office of the Governor  
Missouri Western State University  
Missouri State University  
University of Central Missouri  
State Technical College of Missouri  
University of Missouri System  
Kirksville R-III School District  
Summersville R2 School District  
Wellsville-Middletown R-1 School District

Ross Strobe



Acting Director  
May 16, 2018