

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5452-03
Bill No.: SB 898
Subject: Elementary and Secondary Education; Department of Elementary and Secondary Education
Type: Original
Date: January 29, 2018

Bill Summary: This proposal modifies provisions relating to course access in 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 the **Summersville R2 School District** assume this could be a positive or negative fiscal impact.

Officials from the **West Plains School District** state, assuming 2% participation as outlined in the proposal, the district would lose up to \$300,000 annually due to the redirection of school funds to virtual courses while still maintaining the need for the same number of onsite staff.

Officials from the **Wellsville-Middletown R-1 School District** assume the proposal has the potential to have a devastating fiscal impact on the district.

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

ASSUMPTION (continued)

Officials from the **Macon County R-IV School District** assume, financially, the only boon would be if students previously not enrolled, chose to participate but they would be required to be enrolled for a semester prior to accessibility.

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. Children who have newly moved to the district and children of parents in active military service outside the state shall be exempt from attending one semester prior to enrollment.

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.

ASSUMPTION (continued)

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(4)). 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 \text{ 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 ($3536 * \$4,211$) using the average cost per course or up to \$22,305,088 ($3,536 * \$6,308$) using the maximum reimbursement amount.

Oversight notes this proposal limits the total number of students that can enroll in full-time virtual education courses to 2% of total state enrollment. If 2% of students enrolled in Missouri public schools participated in the virtual courses, program participation would equal 17,679 ($883,957 * .02$). If 17,679 students each took a full-time virtual course load, it would cost \$74,446,269 ($17,679 * \$4,211$) using the average cost per course or up to \$112,086,852 ($17,679 * \$6,308$) 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 ($3,536 * \$10,437$). And, if 17,769 students took a full-time virtual course load, the savings to the school districts is estimated at \$185,455,053 ($17,679 * \$10,437$).

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 ($3,536 * \$6,680$). And, if 17,679 students enroll in full-time equivalent virtual course load, the savings to local districts is estimated at \$118,696,920 ($17,679 * \$6,680$).

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 a full-time equivalent virtual course load, 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 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 virtual courses	Unknown	Unknown	Unknown
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<u>Cost</u> - students taking courses through the MO Courses 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>)
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ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICTS	Unknown to (Could exceed <u>\$100,000</u>)	Unknown to (Could exceed <u>\$100,000</u>)	Unknown to (Could exceed <u>\$100,000</u>)
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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 virtual 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. The one semester enrollment requirement shall not apply to children who are newly moved to a school district or whose parents are active military serving out of state. No more than 2% of the total number of students enrolled in public schools shall enroll in a full-time virtual school program.

FISCAL DESCRIPTION (continued)

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, 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.

The school district or charter school that pays for the student's course or full-time virtual school shall include the student's attendance in such course or virtual school in determining the district's or charter school's average daily attendance.

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 two 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.

A school district or charter school that applies to be a provider shall only be subject to certain compliance criteria, as set forth in the act.

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 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, allow anyone to submit a course for approval, and require vendors to accept monthly payments for students enrolled in their courses.

FISCAL DESCRIPTION (continued)

Program providers shall annually report certain information, as set forth in the act, to the Department. Additionally, the Department shall annually submit a report to the Joint Committee on Education that includes information as set forth in the act.

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

Additionally, the act repeals provisions relating to pupil residence for the purpose of enrolling in MOVIP.

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
Summersville R2 School District
West Plains School District
Wellsville-Middletown R-1 School District
Kirksville R-III School District
Macon County R-IV School District

Ross Strobe



Acting Director
January 29, 2018