

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5187-05  
Bill No.: SCS for SB 996  
Subject: Children and Minors; Education, Elementary and Secondary; Teachers;  
Telecommunications  
Type: Original  
Date: April 27, 2020

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Bill Summary: This proposal modifies provisions related to the virtual school program.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	Could exceed (\$407,014)	Could exceed (\$410,612)	Could exceed (\$1,275,048)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Could exceed (\$407,014)</b>	<b>Could exceed (\$410,612)</b>	<b>Could exceed (\$1,275,048)</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<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 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<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>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	1 FTE	1 FTE	3 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>3 FTE</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>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
<b>Local Government</b>	<b>(Unknown) to Could exceed \$345,475</b>	<b>(Unknown) to Could exceed \$345,475</b>	<b>(Unknown) to Could exceed \$1,063,000</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials at the **Department of Elementary and Secondary Education (DESE)** assume:

#### **Student Costs**

Under §161.670, current full-time provider indicates an enrollment of 325. The department expects this legislation could increase enrollment up to 1,000. This provision states that the department will pay a full time virtual school program provider an amount equal to the average daily attendance for the student's district of residence. The average daily attendance is not a monetary amount and for purposes of this fiscal note, the department will use the state adequacy target to determine the fiscal impact. If the average daily attendance is meant to represent another figure, the cost could increase significantly. Because of this, the department will show a range from \$6,375,000 to Unknown.

#### **Payments to Providers**

##### *Current*

325 students x \$6,375 = \$2,071,875 Total payment to full-time provider(s)

##### *Future*

1000 student x \$6,375 = \$6,375,000 Total future payment to full-time providers

There is also a potential for 3 FTE to be added to current staff.

1 FTE. - Supervisor per 300 students

**Oversight** notes this proposal will likely reduce transfers to districts for each student attending virtual school, and that § 161.670.3(3) limits DESE provider payments to the state adequacy target. To estimate DESE's transfer reduction to school districts, Oversight will multiply the number of pupils estimated to attend virtual school full time by the per-pupil TSR expenditure.

2018-2019 State Funding	\$4,347,446,561
2018-2019 Regular Term ADA <sup>1</sup>	818,473
Total State Revenue per pupil by regular term ADA	\$5,312

ASSUMPTION (continued)

*Current attendance level*

325 students x \$5,312 TSR per pupil = \$1,726,400 savings to the formula

*Future DESE assumed virtual attendance level*

1000 student x \$5,312 TSR per pupil = \$5,312,000 savings to the formula

DESE estimates this bill could increase the number of students using online education from 325 to 1,000 in FY 2024. Oversight will show full implementation in FY 2023. **Oversight** will show the cost to payment providers as estimated by DESE, and savings in state aid to districts as estimated by oversight.

Between increased costs for virtual education and reduced funding to schools for those same students, **Oversight** assumes DESE will see a cost increase for student funding of \$345,475 in FY 21-22 (\$2,071,875 - \$1,726,400), and \$1,063,000 in FY 23 (\$6,375,000 - \$5,312,000).

Officials at the **Shell Knob School District** assumed that bill had a negative fiscal impact on their district.

Officials at the **Wellsville-Middletown R-I** school district state this bill has the potential to reduce the ADA count for school districts, thus causing them a loss in state funds.

In response to the very similar HB 2491 (2020), officials at the **Smithville Public School District** stated that the portion of the bill that concerns me is "the program of the student's choice". They stated there is one online provider in particular that is 4 times more expensive than the other partners they have. To enroll a student full time in MOVA is approximately \$6,300 per year. If all of their students currently taking online classes with their preferred vendors made this choice, they would currently be paying \$63,000 which is equivalent to a full-time teacher. As online programs become more popular, these fees will increase and are not sustainable by small districts like them.

Because local responses indicated the bill would either save or cost school districts money, **Oversight** will show (\$1,726,400) to Unknown FY 21-22, and (\$5,312,000) funding reductions to locals, less districts saving payments to providers of Could exceed \$2,071,875 in FY 21-22 and Could exceed \$6,375,000 in FY 23. Oversight will also show (\$0 or Unknown) cost of civil penalties for their noncompliance. That leaves school districts with (Unknown) to Could exceed \$345,475 savings in FY 21-22, and (Unknown) to Could exceed \$1,063,000 savings in FY 23.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>GENERAL REVENUE</b>			
<u>Cost - §161.670</u>			
Salaries	(\$32,560)	(\$39,463)	(\$119,571)
Fringe Benefits	(\$20,413)	(\$24,626)	(\$74,271)
Equipment and Expense	(\$8,566)	(\$1,048)	(\$18,206)
<u>Total Cost - DESE</u>	<u>(\$61,539)</u>	<u>(\$65,137)</u>	<u>(\$212,048)</u>
FTE Change - DESE	1 FTE	1 FTE	3 FTE
<u>Cost -§161.670 - payments to providers</u>	Could exceed (\$2,071,875)	Could exceed (\$2,071,875)	Could exceed (\$6,375,000)
<u>Savings - §161.670 - reduced payments to districts</u>	Could exceed <u>\$1,726,400</u>	Could exceed <u>\$1,726,400</u>	Could exceed <u>\$5,312,000</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>Could exceed <u>(\$407,014)</u></b>	<b>Could exceed <u>(\$410,612)</u></b>	<b>Could exceed <u>(\$1,275,048)</u></b>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	3 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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**SCHOOL DISTRICTS**

<u>Transfer</u> - Reduction in state revenue transfer to districts	Could exceed (\$1,726,400)	Could exceed (\$1,726,400)	Could exceed (\$5,312,000)
<u>Savings</u> - Reduction in payments to online providers	Could exceed \$2,071,875	Could exceed \$2,071,875	Could exceed \$6,375,000
	(\$0 or <u>Unknown</u> )	(\$0 or <u>Unknown</u> )	(\$0 or <u>Unknown</u> )
<u>Cost</u> - Civil penalties			

<b>SCHOOL DISTRICTS NET DIRECT FISCAL IMPACT</b>	<b>(Unknown) to Could exceed <u>\$345,475</u></b>	<b>(Unknown) to Could exceed <u>\$345,475</u></b>	<b>(Unknown) to Could exceed <u>\$1,063,000</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

Under current law, for purposes of calculation and distribution of state school aid, all students enrolled in the Missouri Course Access and Virtual School Program shall be included in the student enrollment of the school district in which the student physically is enrolled.

Under this act, full-time equivalent students shall not be included in the student enrollment of the school district in which such student resides. The Department of Elementary and Secondary Education shall pay any Missouri Course Access and Virtual School Program an amount equal to the average daily attendance for the student's district of residence. A virtual school program serving full-time equivalent students shall be considered an attendance center as defined in current law.

Current law requires a school district or charter school to allow any eligible student who resides in such district to enroll in Missouri Course Access and Virtual School Program courses if, prior to enrolling in any such course, a student has received approval from his or her school district or charter school. This act repeals the provision requiring a student to receive approval from his or her school district. If the school district or charter school believes a student's request to enroll in a

FISCAL DESCRIPTION (continued)

virtual program is not in the best educational interest of the student, the reason shall be provided in writing to the student's parent or guardian, who shall have final decision-making authority.

The Department, rather than each school district or charter school, shall adopt a policy that delineates the process by which a student may enroll in courses provided by the Missouri Course Access and Virtual School Program.

Current law requires costs associated with such virtual courses to be paid by the school district or charter school directly on a pro rata monthly basis based on a student's completion of assignments and assessments. Under this act, costs shall be paid by the school district or charter school, or by the Department for full-time equivalent students, to the provider on a pro rata basis once per semester based on a student's completion of assignments and assessments.

Current law also requires the Department to monitor student success and engagement and report such information to the school district or charter school. Under this act, the Department shall report such information to the parent or guardian of the student, who may withdraw the student at any time if the course is not meeting the educational needs of the student. This act also repeals the provision setting forth the responsibility of school districts and charter school to monitor full-time student progress and success.

Virtual school providers are required, under this act, to monitor student progress and success, and may remove a student from the program if the provider believes it to be in the best educational interest of the student.

A full-time virtual school shall, under this act, submit a notification to a parent or legal guardian of a student who is not consistently engaged in instructional activities, as defined in the act. Such school shall also develop a policy setting forth the consequences for a student's failure to attend school and complete instructional activities, including disenrollment from the virtual school.

School districts or charter schools are required, under current law, to inform parents of their child's right to participate in the virtual schools program. Under this act, any school district or charter school that fails to notify parents of their child's right to participate in the program shall be subject to civil penalties in an amount equal to \$100 for each day such school district or charter school is in violation of this requirement, including reasonable attorney's fees.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Shell Knob School District  
Smithville Public School District  
Wellsville-Middletown R-I



Julie Morff  
Director  
April 27, 2020



Ross Strobe  
Assistant Director  
April 27, 2020