

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0986S.01I
Bill No.: SB 95
Subject: Children and Minors; Education, Elementary and Secondary; Elementary and Secondary Education, Department of; Teachers; Telecommunications
Type: Original
Date: February 1, 2021

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	(Unknown, Could exceed \$2,033,259) to Unknown	(Unknown, Could exceed \$2,037,212) to Unknown	(Unknown, Could exceed \$2,037,942) to Unknown
Total Estimated Net Effect on General Revenue	(Unknown, Could exceed \$2,033,259) to Unknown	(Unknown, Could exceed \$2,037,212) to Unknown	(Unknown, Could exceed \$2,037,942) to Unknown

*As written, **Oversight** assumes the payments to course providers would vary greatly by district. A payment rate equal to district's average daily attendance (ADA) would functionally make provider payments a product of district size. Oversight assumes this was not the intent of this proposal. However, Oversight assumes the impact from this proposal is largely unknown until the language is clarified.

*The range in the fiscal impact includes the amount of savings (if any) that can be realized by the state as a result of scholarships provided to students who attend qualifying schools who would have otherwise attended public schools. Also, Oversight notes Section 163.036 states school districts may use an estimate of the weighted ADA for the current year, or the weighted ADA for the immediately preceding year, or the weighted ADA attendance for the second preceding year, whichever is greater. This could result in the losses reported to occur in future years, rather than the years reported. However, since Oversight is unable to determine which year each school district will use in future years to determine the amount of state aid each school district is entitled to (weighted ADA), Oversight will, for purposes of this fiscal note, assume the savings/losses will occur immediately.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

FORMCHECKBOX Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$1,963,500 or Less	\$1,963,500 or Less	\$1,963,500 or Less

*The range in the fiscal impact includes the amount of savings (if any) that can be realized by the state as a result of scholarships provided to students who attend qualifying schools who would have otherwise attended public schools. Also, Oversight notes Section 163.036 states school districts may use an estimate of the weighted ADA for the current year, or the weighted ADA for the immediately preceding year, or the weighted ADA attendance for the second preceding year, whichever is greater. This could result in the losses reported to occur in future years, rather than the years reported. However, since Oversight is unable to determine which year each school district will use in future years to determine the amount of state aid each school district is entitled to (weighted ADA), Oversight will, for purposes of this fiscal note, assume the savings/losses will occur immediately.

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Elementary and Secondary Education** state current full-time provider indicates an enrollment of over 1,500. The department expects this legislation could increase enrollment in full-time virtual instruction significantly. 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.

The current cost to the state for these students will vary by school districts as all school districts receive a different amount of state funding. In the 2019-2020 school year, the average state funding per ADA is \$5,066. For the purposes of this fiscal note and assuming, "average daily attendance" in the proposed legislation is meant to represent the state adequacy target, the impact to state revenue will be stated as the difference between the state adequacy target and the average state funding per ADA.

State Adequacy Target:	\$6,375
State Funding/ADA:	\$5,066
Difference:	\$1,309

At a minimum one FTE will be required for increased monitoring of full time students. As additional students enroll in full time virtual schools, additional FTE may be required. (1 F.T.E. - Supervisor per 250 students at \$40,248.)

Officials from the **High Point R-III School District** assume the proposal will have no fiscal impact on their organization.

Oversight notes this proposal does not appear to expand the eligibility requirements for virtual school enrollment. Oversight notes this proposal removes the existing requirement for school districts to approve a student's enrollment in virtual courses as well as the process for appealing that decision. Currently, parents can appeal a decision to the local school board and to the Department of Elementary and Secondary Education. Under this proposal, parents have the ultimate decision on whether to enroll their child in a virtual program.

Upon further inquiry, **DESE** stated they estimate an increase in enrollment from students who may have otherwise been denied by a school district as well as those students who would have opted to choose another program offered by the district (during the approval process). Oversight will show the cost of increased enrollment as unknown.

Oversight has requested the number of students approved and denied for enrollment by school districts in the MOCAP program. However, DESE has not collected this type of data prior to rule 5 CSR 20-100.230 going into effect. 5 CSR 20-100.230 became effective on 1/30/21. Oversight has requested the number of applicants that have appealed to DESE and been denied or approved. However, as of the date of this fiscal note, Oversight has not received this information.

Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional information, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight assumes this proposal removes full-time equivalent students from the student's resident district enrollment numbers consequently reducing the average daily attendance and therefore the state aid received by the district. This would result in a decreased call to the foundation formula for districts with full-time equivalent students. Oversight notes the foundation formula payment varies by district, however the State Revenue per pupil by regular term ADA is estimated at \$5,066 (per DESE). Oversight will show an estimated savings of \$7,599,000 to the foundation formula ($\$5,066 * 1,500$) and a subsequent loss to school districts.

Oversight notes "in computing the amount of state aid a school district is entitled to receive for the minimum school term only under section 163.031, a school district may use an estimate of the weighted average daily attendance for the current year, or the weighted average daily attendance for the immediately preceding year or the weighted average daily attendance for the second preceding school year, whichever is greater" § 163.036. Oversight notes that the savings to the foundation formula from reduced enrollment in the student's resident district may not impact the General Revenue Fund until FY 2024; however, for consistency, Oversight will reflect the potential savings in FY 2022 with a footnote of the possible delayed positive impact.

This proposal also transfers the payment responsibility from school districts to the Department of Elementary and Secondary Education for the amount that is reimbursed to course providers for full-time equivalent virtual students. School districts would not pay virtual course providers for FTE virtual students. The savings to school districts is estimated at up to \$9,562,500 based on the current maximum payment rate of \$6,375 and the current MOCAP enrollment of 1,500 students.

In addition, **Oversight** notes this proposal states "The department shall pay any Missouri course access and virtual school program provider an amount equal to the average daily attendance for the student's district of residence for each full-time equivalent student." Currently, providers are reimbursed up to the State Adequacy Target (\$6,375). Oversight notes the following average daily attendance numbers for a sample of districts below and the resulting difference in provider payments, if payments were calculated using average daily attendance:

District	Average Daily Attendance (Proposed Provider Reimbursement)	State Adequacy Target (Current cap on Provider Reimbursement)	Difference Paid to Course Providers
Columbia 93	\$17,114	\$6,375	\$10,739
Hermitage R-IV	\$223	\$6,375	(\$6,152)
Springfield R-XII	\$24,039	\$6,375	\$17,664
Eldon R-I	\$1,745	\$6,375	(\$4,630)
Gasconade Co. R-I	\$856	\$6,375	(\$5,519)

As written, **Oversight** assumes the payments to course providers would vary greatly by district. A payment rate equal to district's average daily attendance would functionally make provider payments a product of district size. Oversight assumes this was not the intent of this proposal. Therefore, Oversight assumes the impact from this provision would range from an unknown positive to an unknown negative.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Costs - DESE</u>			
Personal Service	(\$33,540)	(\$40,650)	(\$41,057)
Fringe Benefits	(\$21,270)	(\$25,659)	(\$25,797)
Expense & Equipment	(\$14,949)	(\$7,403)	(\$7,588)
<u>Total Costs</u>	(\$69,759)	(\$73,712)	(\$74,442)
FTE Change - DESE	1 FTE	1 FTE	1 FTE
<u>Costs - DESE - virtual course provider payments paid by DESE - §161.670.2</u>	(Could exceed \$9,562,500)	(Could exceed \$9,562,500)	(Could exceed \$9,562,500)
<u>Costs - DESE - increased enrollment from removing the approval requirements - §161.670.3</u>	(Unknown)	(Unknown)	(Unknown)
<u>Cost Avoidance - DESE - decreased call to the foundation formula - §161.670.2</u>	Could exceed \$7,599,000	Could exceed \$7,599,000	Could exceed \$7,599,000
<u>Cost/Savings - DESE - cost of paying virtual course providers at rate of average daily attendance</u>	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
ESTIMATED NET EFFECT ON GENERAL REVENUE	(Unknown, Could exceed \$2,033,259) to Unknown	(Unknown, Could exceed \$2,037,212) to Unknown	(Unknown, Could exceed \$2,037,942) to Unknown
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
SCHOOL DISTRICTS			
Revenue (Loss) - decrease in foundation formula distributions - §161.670.2	(Could exceed \$7,599,000)	(Could exceed \$7,599,000)	(Could exceed \$7,599,000)
Savings - cost of no longer reimbursing virtual course providers - §161.670.3	Up to <u>\$9,562,5000</u>	Up to <u>\$9,562,5000</u>	Up to <u>\$9,562,5000</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	\$1,963,500 or Less	\$1,963,500 or Less	\$1,963,500 or Less

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 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.

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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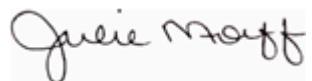
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SOURCES OF INFORMATION

Department of Elementary and Secondary Education
High Point R-III School District



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