

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0986S.04C
 Bill No.: SCS for SB 95
 Subject: Children and Minors; Education, Elementary and Secondary; Elementary and Secondary Education, Department of; Teachers; Telecommunications
 Type: Original
 Date: March 8, 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 \$342,354)	(Unknown, Could exceed \$290,558)	(Unknown, Could exceed \$291,014)
Total Estimated Net Effect on General Revenue	(Unknown, Could exceed \$342,354)	(Unknown, Could exceed \$290,558)	(Unknown, Could exceed \$291,014)

***Oversight** notes this proposal appears to expand the eligibility for virtual school enrollment to any student who is eligible to enroll in a Missouri public school rather than to only students who have attended for a public school for at least one semester. Oversight assumes this proposal would allow previously homeschooled students and private school students to enroll in virtual courses paid by the school districts. This would cause an increase in the call to the foundation formula, possibly exceeding the \$250,000 threshold.

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	.5 FTE	.5 FTE	.5 FTE
Total Estimated Net Effect on FTE	.5 FTE	.5 FTE	.5 FTE

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 161.670

Officials from the **Department of Elementary and Secondary Education** assume the following:

Section 1. The department estimates updating the branding of MOCAP to MCAVSP to be a minimal fiscal impact.

Section 3. (2) The legislation will require the department to update the student information system to develop and handle continuous enrollment for students not enrolled in a full time virtual school. DESE estimates a fiscal impact of \$50,000 with ongoing annual fees based on course enrollment.

Section 11. (6). The addition of comparative data and performance by students in their prior educational setting into the Annual Report will necessitate the development of new data rules in MOSIS and an additional data analyst to develop and run the reports. DESE estimates a fiscal impact for these additions and a .5 FTE for a Data Analyst to develop and run the needed reports.

Oversight notes this proposal appears to expand the eligibility for virtual school enrollment to any student who is eligible to enroll in a Missouri public school rather than to only students who have attended for a public school for at least one semester. Oversight assumes this proposal would allow previously homeschooled students and private school students to enroll in virtual courses paid by the school districts.

Oversight assumes expanding the eligibility could increase enrollment for school districts causing an increased call to the foundation formula. Oversight will show an unknown cost to General Revenue for newly eligible and enrolled MCAVSP students. For every newly enrolled student achieving eligibility under this proposal, the cost is estimated at \$5,066 (average state aid per ADA) with subsequent increase in revenue for school districts.

Assuming the average state funding per ADA is \$5,066, Oversight estimates to reach a revenue impact of \$250,000 would require a change of approximately 50 ADA ($\$5,066 * 50 = \$253,300$). Oversight notes an increase of 50 ADA is approximately a 0.01% increase in total ADA ($50/843,650$); therefore, Oversight assumes it is possible the cost could exceed \$250,000.

In addition, **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.

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 requested the number of applicants that have appealed to DESE. Per DESE, this school year they have had 6 appeals. Two were overturned and four have been upheld.

Oversight will show an increased cost for school districts that pay course providers for students newly eligible and enrolled in MCAVSP. Oversight assumes the maximum cost per student is \$6,375 or the State Adequacy Target unless "the student receives additional federal or state aid which shall additionally be included in the payment". Therefore, Oversight will show an unknown cost to school districts for students newly eligible and enrolled in MCAVSP.

Per section 161.670.3 (1), **Oversight** notes this proposal appears to remove the following language "with any costs associated with such course or courses to be paid by the school district or charter school". Oversight is uncertain if DESE or school districts are to pay virtual course providers. With the removal of this language, Oversight is also uncertain what amount is to be paid to course providers. For purposes of this fiscal note, Oversight assumes virtual course providers are to be paid by school districts the cost of the course or courses. If these assumptions are incorrect, this could potentially change the fiscal impact as presented in this fiscal note.

Oversight received no responses from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Costs – DESE</u>			
Personal Service	(\$16,770)	(\$20,325)	(\$20,528)
Fringe Benefits	(\$10,635)	(\$12,830)	(\$12,898)
Expense & Equipment	(\$14,949)	(\$7,403)	(\$7,588)
<u>Total Costs</u>	(\$42,354)	(\$40,558)	(\$41,014)
FTE Change – DESE	.5 FTE	.5 FTE	.5 FTE
<u>Costs - DESE - update to student information system</u>	(\$50,000)	(Unknown)	(Unknown)
<u>Costs - DESE - increased call to the foundation formula for increased enrollment eligibility for MCAVSP - §161.670.3</u>	(Unknown – more than \$250,000)	(Unknown – more than \$250,000)	(Unknown – more than \$250,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	(Unknown, Could exceed \$342,354)	(Unknown, Could exceed \$290,558)	(Unknown, Could exceed \$291,014)
Estimated Net FTE Change on General Revenue	.5 FTE	.5 FTE	.5 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
SCHOOL DISTRICTS			
<u>Revenue Gain - increase in foundation formula distributions for increased enrollment from newly eligible MCAVSP students</u>	Unknown	Unknown	Unknown
<u>Costs - payments to course providers for newly eligible students enrolled in MCAVSP</u>	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON SCHOOL DISTRICTS	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

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.

If a school district or charter school fails to make any payment to a virtual program provider in full within sixty days of receiving an invoice, the provider may notify the Department of Elementary and Secondary Education. Upon notice of such nonpayment, the Department shall immediately pay the Missouri course access and virtual school program the total amount invoiced, to be withheld from the next disbursement of funding to the non-paying school district or charter school. By November 1st annually, the Department shall provide a written report to the Joint Committee on Education detailing each occasion during the prior school year that such an issue occurred.

A full-time virtual school program serving full time equivalent students shall participate in the statewide assessment system, with the results to be attributed to the virtual school program as an attendance center, rather than the local educational authority.

The Department, rather than each school district or charter school, shall adopt a policy that delineates the process by which a student not enrolled in a full-time virtual program may enroll in courses provided by the Missouri Course Access and Virtual School Program.

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 reason shall not be based on financial considerations or the virtual course offerings of the school district, charter school, or preferred provider.

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, charter school, or by the Department for full-time equivalent students, to the provider once per semester based on a student's completion of assignments and assessments. This amount shall not exceed 14% of the state adequacy target.

This act requires that additional state and federal funds a student receives, which are excluded from provisions of current law limiting the maximum amount of such payments, shall be additionally included in the payments.

This act repeals a provision providing that schools shall not be prohibited from negotiating lower costs directly with virtual school providers.

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 the aggregate performance of providers to the public in an annual report as described in the act.

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, such notification shall be made annually, separately, and in an impartial manner. 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.

The Department shall provide a written explanation of its denial of virtual program authorization within 10 days, rather than 30 days.

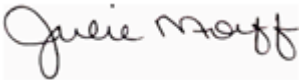
In its annual report on the program, the Department shall include student outcome data, including comparative data from students' prior educational settings, four and five year graduation rates, credit status upon enrollment, and progress toward graduation.

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



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March 8, 2021



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March 8, 2021