

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5962-02
Bill No.: HB 2458
Subject: Elementary and Secondary Education
Type: Original
Date: April 16, 2018

Bill Summary: This proposal modifies provisions relating to virtual public schools and career and technical education.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|------------------------------------|------------------------------------|------------------------------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 |
| General Revenue | \$0 or (Unknown) to Unknown | \$0 to (Unknown) to Unknown | \$0 to (Unknown) to Unknown |
| Total Estimated Net Effect on General Revenue | \$0 or (Unknown) to Unknown | \$0 or (Unknown) to Unknown | \$0 or (Unknown) to Unknown |

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

*Transfers net to zero.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 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 | \$0 or (Unknown) to Unknown | \$0 or (Unknown) to Unknown | \$0 or (Unknown) to Unknown |

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Elementary and Secondary Education (DESE)** assume the change to §162.1250.4, outlined in this proposal will have a minimal fiscal impact as the percentage attendance that can be counted for an A+ student increases from 94% to 95% and as the percentage for fifty percent completion changes from 47% to 47 ½%.

The additional changes to the calculation and distribution of state school funding should not be an additional fiscal impact to the state as these are students that were already attending a school district or charter school in the state. There may be some expense associated with modifications to the foundation formula to accommodate these changes.

Oversight assumes that DESE could absorb the cost of the upgrades to the foundation formula with existing appropriations.

Officials from the **Kirksville R-III School District** and **Summersville R2 School District** assume this proposal will have a negative fiscal impact on their districts.

Officials from the **Wellsville-Middletown R-1 School District** assume this proposal has the potential to have a substantial negative fiscal impact on our small rural school district if it ends up redirecting state funds allocated to the district based on ADA toward other entities without the ability to do long range planning for staffing needs.

Oversight notes this proposal allows a public school student to go to a virtual school in their district or to go to a virtual school outside their resident school district. The attendance of a student enrolled in a district or charter school virtual class equals 94% of the hours of attendance possible for an on-site class. Oversight notes this could decrease the call to the foundation formula if students switched from on-site enrollment to the virtual school enrollment. **Oversight** notes the national average for virtual school enrollment was .4% of total enrollment according to the National Center for Education Statistics. Assuming .4% (3,536) of students currently enrolled in Missouri public schools enrolled in a public virtual school, the cost avoidance to the foundation formula is estimated at \$1,076,712 ($3,536 * (\$5075 * .06)$)

Oversight notes, for students who choose to enroll in a virtual school outside of their resident district, the state aid payments from the state would transfer from the district of residence to the non-resident district hosting the virtual school.

ASSUMPTION (continued)

Oversight notes this proposal allows any student eligible to enroll in public school to attend a virtual public school of their choice on a full-time basis. Oversight assumes this proposal would allow home-school students and private school students who are eligible to enroll in a public school to attend a virtual public school of their choice. Based on information provided by DESE, the 2017 non-public and home-school enrollment is estimated at 130,896. If .4% of the non-public school students enrolled in virtual public school, the additional cost to the state is estimated at \$2,499,742 ($524 * (\$5,075 * .94)$ state aid per pupil).

Oversight notes this proposal is permissive and will show a fiscal impact of \$0 (no school districts host a virtual public school) or an unknown cost to the state from increased enrollment to an unknown savings from reduced state aid per virtual student.

Officials at the following school districts: Arcadia Valley R-2, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, Eldon R-I, Everton R-III, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kansas City Public Schools, Kearney R-1, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Lee Summit, Leeton R-10, Lewis County C-1, Lincoln R-II, Lindbergh, Lonedell R-14, Macon County R-1, Malta Bend, Mehlville, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, New Haven, Nixa, North Kansas City, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osborn R-0, Parkway, Pattonville, Pettis County R-12, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Republic R-III, Richards R-V, Richland R-1, Richmond R-XVI, Riverview Gardens, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Sedalia, Seymour R-2, Shell Knob #78, Sikeston, Silex, Smithville R-2, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Valley R-6, Verona R-7, Warren County R-3, Warrensburg R-6, Waynesville, Webster Groves, Wentzville, West Plains, Westview C-6 and the Wright City R-2 school districts did not respond to **Oversight's** request for fiscal impact.

| <u>FISCAL IMPACT - State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 |
|--|---|---|---|
| GENERAL REVENUE FUND | | | |
| <u>Cost Avoidance</u> - decreased call to the foundation formula from on-site students enrolling in virtual public schools at 94% of ADA | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |
| <u>Transfer Out</u> - increased call to foundation formula for increased enrollment | \$0 or <u>(Unknown)</u> | \$0 or <u>(Unknown)</u> | \$0 or <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | \$0 or (Unknown) to <u>Unknown</u> | \$0 or (Unknown) to <u>Unknown</u> | \$0 or (Unknown) to <u>Unknown</u> |
| STATE SCHOOLS MONEY FUND | | | |
| <u>Transfer In</u> - from General Revenue Fund | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |
| <u>Transfer Out</u> - to local school districts | \$0 or <u>(Unknown)</u> | \$0 or <u>(Unknown)</u> | \$0 or <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON STATE SCHOOLS MONEY FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Local Government

FY 2019
(10 Mo.)

FY 2020

FY 2021

**LOCAL SCHOOL DISTRICTS AND
CHARTED SCHOOLS**

Transfer In - from State Schools Money
Fund for increased enrollment

\$0 or Unknown

\$0 or Unknown

\$0 or Unknown

Loss - from on-site students enrolling in
virtual public schools at 94% of ADA

\$0 or
(Unknown)

\$0 or
(Unknown)

\$0 or
(Unknown)

Cost - creation and administration of a
virtual public school

\$0 or
(Unknown)

\$0 or
(Unknown)

\$0 or
(Unknown)

**LOCAL SCHOOL DISTRICTS AND
CHARTER SCHOOLS**

**\$0 or
(Unknown) to
Unknown**

**\$0 or
(Unknown) to
Unknown**

**\$0 or
(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

This bill authorizes public and charter high schools to provide a career and technical education program including the opportunity for students to earn industry-recognized certifications, participate in work-based learning, and earn college credit.

This bill also authorizes accredited public schools and charter schools with annual performance scores of 70% or higher to host a virtual public school of choice. Schools hosting a virtual school must use a unified virtual curriculum, allow students to learn at a flexible pace, use certified teachers to oversee instruction, and develop individualized learning plans for all students.

Students may enroll full-time in a virtual public school of choice. If a student enrolls in a virtual public school hosted by a district other than the district of residence, the Department of Elementary and Secondary Education shall pay the district hosting the virtual public school a portion of the state aid received by the district of residence, as described in the bill.

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
Kirksville R-III School District
Summersville R2 School District
Wellsville-Middletown R-1 School District

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director
April 16, 2018