

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1309H.02C  
Bill No.: HCS for HB 754  
Subject: Education, Elementary and Secondary  
Type: Original  
Date: March 7, 2021

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue*	(Unknown, Could exceed \$342,354)	(Unknown, Could exceed \$290,558)	(Unknown, Could exceed \$291,014)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Unknown, Could exceed \$342,354)</b>	<b>(Unknown, Could exceed \$290,558)</b>	<b>(Unknown, Could exceed \$291,014)</b>

\***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.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<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.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue	.5 FTE	.5 FTE	.5 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>.5 FTE</b>	<b>.5 FTE</b>	<b>.5 FTE</b>

- ☒ 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.

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

## **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 a 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. 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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE</b>			
<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)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(Unknown, Could exceed \$342,354)</b>	<b>(Unknown, Could exceed \$290,558)</b>	<b>(Unknown, Could exceed \$291,014)</b>
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
<b>SCHOOL DISTRICTS</b>			
<u>Revenue Gain</u> - increase in foundation formula distributions for increased enrollment from newly eligible MCAVSP students	Unknown	Unknown	Unknown
<u>Costs</u> - payments to course providers for newly eligible students enrolled in MCAVSP	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

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

This bill specifies that, full-time equivalent students shall not be included in the student enrollment of the school district in which such student resides and that scores on the statewide assessment for full-time equivalent students shall be attributed to the MCAVSP which will function as a local education agency. The Department of Elementary and Secondary Education (DESE) will pay 100% of its average per-pupil expenditure for each full-time equivalent student.

Currently, costs associated with such virtual courses are 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. The bill specifies that, costs shall be paid by the school district or charter school, or by DESE 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.

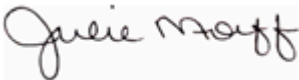
Currently, school districts or charter schools are required to consider recommendations from DESE and evaluate the progress of enrolled students who are enrolled in any course or full-time virtual school, and may terminate or alter the course offering if it is found that the course or full-time virtual school is not meeting the educational needs of the students. The bill grants DESE the authority to terminate or alter the course offering for full-time equivalent students, and the responsibility of school districts and charter schools to monitor full-time student progress and success is now granted to the virtual school providers.

School districts or charter schools are required currently, to inform parents of their child's right to participate in the virtual schools program. The bill specifies that, any school district or charter school that fails to notify parents of his or her 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.

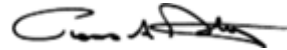
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education

A handwritten signature in cursive script, appearing to read "Julie Morff".

Julie Morff  
Director  
March 7, 2021

A handwritten signature in cursive script, appearing to read "Ross Strobe".

Ross Strobe  
Assistant Director  
March 7, 2021