

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1921H.01P  
 Bill No.: Perfected HB 827  
 Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education  
 Type: Original  
 Date: March 7, 2023

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
*General Revenue	Unknown to could exceed (\$116,964)	Unknown to could exceed (\$23,978)	Unknown to could exceed (\$24,577)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Unknown to could exceed (\$116,964)</b>	<b>Unknown to could exceed (\$23,978)</b>	<b>Unknown to could exceed (\$24,577)</b>

\*Oversight assumes there could be an unknown impact (savings or cost) to the foundation formula depending on the host district’s attendance rate. Oversight is unable to estimate the net effect to General Revenue because attendance rates vary greatly by district. Oversight estimates to reach a revenue impact of \$250,000 would require a change in attendance hours of approximately 52,000 hours which is approximately a 1.0% change virtual attendance hours. Oversight assumes it is possible the cost or savings could exceed \$250,000.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
<b>Total Estimated Net Effect on <u>Other State Funds</u></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 2024</b>	<b>FY 2025</b>	<b>FY 2026</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 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</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 2024</b>	<b>FY 2025</b>	<b>FY 2026</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 - Virtual School (as amended)

Officials from **Department of Elementary and Secondary Education (DESE)** assume changes to the MOCAP program will result in increased ADA claimed as part of the Foundation Formula. The increase to the formula call would depend on the school districts involved, number of students and local contributions. Any additional ADA claimed may result in a zero to unknown increase to the appropriation required to fully fund the formula.

Officials from the **Office of Administration – Information Technology** state it is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity. This project would have to be prioritized by DESE to be worked among DESE's other projects. ITSD assumes there will be modifications made to the foundation formula calculation. ITSD estimates the project would take 1,231.20 hours at a contract rate of \$95 for a total cost of \$116,964 with on-going support costs.

**Oversight** notes, currently, the attendance of a student enrolled in virtual course shall equal ninety-four percent of the hours of attendance possible (§162.1250.3). Oversight assumes this proposal would change the attendance calculation to equal the host district's or charter school's prior-year average attendance percentage. Oversight is uncertain how the average attendance would be calculated but notes the following estimated attendance rates in the table below.

Estimated Attendance Rates for selected School Districts

School District	Average Daily Attendance ADA	Enrollment	ADA as a percent of Enrollment
Columbia 93	15,571	17,705	87.9%
Independence 30	12,539	13,765	91.1%
Springfield R-XII	19,789	23,140	85.5%
<b>Missouri</b>	<b>782,152</b>	<b>857,909</b>	<b>91.2%</b>

Source: School Finance Report - School Year 2021

**Oversight** assumes the COVID-19 pandemic and subsequent mitigation policies may have impacted the attendance numbers for the 2021 school year. In school year 2019 (pre-pandemic), the ADA as percent of enrollment for Missouri was 95.4% (839,546 / 879,708).

**Oversight** assumes the impact to the foundation formula (if fully funded) would depend on the host district's attendance rate; therefore, Oversight will show a range of impact of an unknown cost to an unknown savings from the changes to attendance hours with corresponding gains or losses to the school districts.

**Oversight** notes one full term of attendance is 1,044 hours per student. For each full term of attendance, the average state funding per ADA is approximately at \$5,066 (per DESE from a previous year) or \$4.85 per hour of full term attendance. However, Oversight notes this is an approximation of the cost as the state aid payment can vary greatly by district.

**Oversight** estimates to reach a revenue impact of \$250,000 would require a change in attendance hours of approximately 52,000 hours or approximately 50 ADA ( $52,000 * \$4.85 = \$252,200$ ). Oversight notes a change of 52,000 hours is approximately a 1.0% change virtual attendance hours assuming all 3,949 virtual students enrolled in a full-time course load (according to the 2020-21 Annual Report – Missouri Course Access and Virtual School Program); therefore, Oversight assumes it is possible the cost or savings could exceed \$250,000.

**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 additional 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.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, school districts were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>GENERAL REVENUE</b>			
<u>Costs</u> - DESE/OA-ITSD - modifications to the foundation formula §161.670	(\$116,964)	(\$23,978)	(\$24,577)
<u>Costs/Savings</u> - DESE - changes to the foundation formula call §161.670	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>Unknown to could exceed (\$116,964)</b>	<b>Unknown to could exceed (\$23,978)</b>	<b>Unknown to could exceed (\$24,577)</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>PUBLIC SCHOOLS</b>			
<u>Costs/Savings</u> - changes to the foundation formula call §161.670	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON PUBLIC SCHOOLS</b>	<b>Unknown to <u>(Unknown)</u></b>	<b>Unknown to <u>(Unknown)</u></b>	<b>Unknown to <u>(Unknown)</u></b>

FISCAL IMPACT – Small Business

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

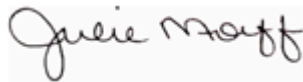
FISCAL DESCRIPTION

This bill modifies the calculation for full-time virtual students completing required instructional activities. The bill requires host school districts to adopt enrollment policies regarding student enrollment and allows virtual schools to mutually agree with a resident school district on services that the district might offer including possible financial reimbursements for those services. The bill also clarifies that student progress reports are only necessary for part-time virtual school program enrollees.

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



Julie Morff  
 Director  
 March 7, 2023



Ross Strobe  
 Assistant Director  
 March 7, 2023