

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3622H.02P
 Bill No.: Perfected HB 2287
 Subject: Department of Elementary and Secondary Education; Education, Elementary and Secondary; Children and Minors
 Type: Original
 Date: March 5, 2024

Bill Summary: This proposal modifies provisions related to the Virtual School Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
*General Revenue	More or Less than (\$634,505)	More or Less than (\$560,505)	More or Less than (\$561,168)
Total Estimated Net Effect on General Revenue	More or Less than (\$634,505)	More or Less than (\$560,505)	More or Less than (\$561,168)

*Oversight assumes there could be a cost that exceeds \$250,000 to the foundation formula depending on the school districts involved, virtual school programs' attendance rate and local contributions. Oversight notes the net effect to General Revenue is based on the current host districts in FY 2023 but can vary greatly year to year.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

- 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 2025	FY 2026	FY 2027
Local Government	\$0 to More or Less than \$505,229	\$0 to More or Less than \$534,003	\$0 to More or Less than \$534,003

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency 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.

Section 161.670 as amended - Virtual School Program

Officials from **Department of Elementary and Secondary Education (DESE)** assume the proposed legislation changing the calculation for average daily attendance (ADA) from the host district's prior year average attendance percentage to the attendance provided by the virtual provider to the host district based on dividing the total number of hours attended in a term by enrolled virtual pupils by the actual number of hours the virtual program was in session. Because of this change, DESE anticipates an increase in ADA to be used in calculating payments and has calculated a cost with 2%, 4% and 6% increase and showed no increase for comparative purposes.

DESE also updated the statewide adequacy target (SAT) from \$6,375 in FY23 and FY24 to \$6,760 in FY25 and \$7,145 in FY26. FY27's SAT may increase from \$7,145 when it is recalculated in two years; however, DESE is unable to estimate that amount and is using \$7,145 for FY27 as well. These SAT's should have been used in DESE's estimate for HB 2287 as it was originally filed. The original estimate was calculated by DESE's virtual school subject matter expert who was unaware of the increase in SAT as it had remained flat for the last five years. DESE also updated the estimates to use weighted ADA instead of calculated ADA as weighted ADA is the basis of the host school payment.

The host districts' prior-year average attendance percentages for 2022-2023:

District	Sum of Regular Hours Attended	Sum of Attendance Plus Absent Hours	Attendance % for in-person students
Sturgeon R-V	406,004.50	435,859.73	93%
Springfield R-XII	21,848,959.55	24,107,605.95	91%
Lee's Summit R-VII	17,470,097.81	18,645,832.25	94%
Grandview R-II	545,260.12	584,744.18	93%
Laquey R-V	580,434.75	637,941.08	91%
Mehlville R-IX	9,527,122.59	10,269,205.41	93%

Below is the amount each Host School received in FY 2023:

2023 Host District Payments for MOCAP Student Attendance	
District	Annualized Payment Amount
Sturgeon R-V	\$7,003,355.06
Springfield R-XII	\$2,550,000.00
Lee's Summit R-VII	\$44,625.00
Grandview R-II	\$12,794,625.00
Laquey R-V	\$1,542,750.00
Mehlville R-IX	\$573,750.00

The below table demonstrates FY25 Difference Cost based on WADA and updated SAT of \$6,760:

Name	Calculated WADA	Difference From Recalculated Host School Payment Using WADA	2%	Difference From Recalculated Host School Payment Using 2% increase in Calculated WADA	4%	Difference From Recalculated Host School Payment Using 4% increase in Calculated WADA	6%	Difference From Recalculated Host School Payment Using 6% increase in Calculated WADA
STURGEON R-V	1,112.66	\$0	1,134.92	\$150,432.07	1,134.92	\$300,864.13	1,179.42	\$ 451,296.20
SPRINGFIELD R-XII	474.11	\$0	483.59	\$64,099.67	483.59	\$128,199.34	502.56	\$ 192,299.02
LEE'S SUMMIT R-VII	12.371774	\$0	12.62	\$1,672.66	12.62	\$3,345.33	13.11	\$ 5,017.99
GRANDVIEW R-II	1,873.77	\$0	1,911.25	\$253,334.32	1,911.25	\$506,668.65	1,986.20	\$ 760,002.97
LAQUEY R-V	190.50878	\$0	194.32	\$25,756.79	194.32	\$51,513.57	201.94	\$ 77,270.36
MEHLVILLE R-IX	73.47	\$0	74.94	\$9,933.14	74.94	\$19,866.29	77.88	\$ 29,799.43
Total		\$0		505,228.66		1,010,457.31		1,515,685.97

The below table demonstrates FY26 and FY 27 Difference Cost based on WADA and updated SAT of \$7,145:

Name	Calculated WADA	Difference From Recalculated Host School Payment Using WADA	2%	Difference From Recalculated Host School Payment Using 2% increase in Calculated WADA	4%	Difference From Recalculated Host School Payment Using 4% increase in Calculated WADA	6%	Difference From Recalculated Host School Payment Using 6% increase in Calculated WADA
STURGEON R-V	1,112.66	\$0	1,134.92	\$58,999.57	1,134.92	\$317,999.15	1,179.42	\$476,998.72
SPRINGFIELD R-XII	474.11	\$0	483.59	\$67,750.32	483.59	\$135,500.64	502.56	\$203,250.96
LEE'S SUMMIT R-VII	12.371774	\$0	12.62	\$1,767.93	12.62	\$3,535.85	13.11	\$5,303.78
GRANDVIEW R-II	1,873.77	\$0	1,911.25	\$267,762.39	1,911.25	\$535,524.78	1,986.20	\$803,287.17
LAQUEY R-V	190.50878	\$0	194.32	\$27,223.70	194.32	\$54,447.41	201.94	\$81,671.11
MEHLVILLE R-IX	73.47	\$0	74.94	\$10,498.86	74.94	\$20,997.73	77.88	\$31,496.59
Total		\$0		534,002.77		1,068,005.55		1,602,008.32

DESE assumes changes to the Missouri Course Access Program (MOCAP) program may result in increased ADA claimed as part of the Foundation Formula dependent upon the provider and attendance.

Officials from the **Office of Administration – Information Technology (ITSD)** state it is assumed that every new IT project/system will be bid out because all ITSD resources are at full capacity. This proposal discusses the calculation of the average daily attendance for full-time virtual students, as calculated in the host district or charter school. The foundation formula is where this calculation is made. It's assumed host and charter school funding calculations in the Foundation Formula are in operable state and can withstand the addition or modifications in this proposal. It's assumed the language of resident and host school reimbursement are also factors that that need considered/estimated. It's also assumed the language about MSIP and DESE cyclic data reporting requirements present no changes to the MSIP or data collection DESE/ITSD do currently. 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 \$105 for a total cost of

\$129,276 in FY 2025 with on-going support costs of **\$26,502** in FY 2026, and **\$27,165** in FY 2027.

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 the quotient or the sum of the quotients obtained by dividing the total number of hours attended in a term by enrolled pupils between the ages of five and twenty-one by the actual number of hours that the program was in session in that term, and the provisions of section 162.1250 shall not apply to such funding calculation. According to the 2023 Annual Report – Missouri Course Access and Virtual School Program there were [3,831 virtual students](#).

Oversight notes the calculation shall be generated by the virtual provider and provided to the host district for submission to DESE. Virtual providers may differ in policy on how attendance is calculated. Oversight assumes the impact to the foundation formula (if fully funded) would depend on the school districts involved, virtual school programs' attendance rate and local contributions. Therefore, Oversight will show an impact of \$0 (no change in attendance) to more or less than cost as estimated by DESE at a 2% increase in attendance with corresponding gains or losses to the school districts.

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 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Costs</u> - DESE/OA-ITSD - modifications to the foundation formula §161.670	(\$129,276)	(\$26,502)	(\$27,165)
<u>Costs</u> - DESE - changes to the foundation formula call §161.670	\$0 to More or Less than <u>(\$505,229)</u>	\$0 to More or Less than <u>(\$534,003)</u>	\$0 to More or Less than <u>(\$534,003)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	More or Less than <u>(\$634,505)</u>	More or Less than <u>(\$560,505)</u>	More or Less than <u>(\$561,168)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
PUBLIC SCHOOLS			
<u>Income</u> - changes to the foundation formula call §161.670	\$0 to More or Less than <u>\$505,229</u>	\$0 to More or Less than <u>\$534,003</u>	\$0 to More or Less than <u>\$534,003</u>
ESTIMATED NET EFFECT ON PUBLIC SCHOOLS	\$0 to More or Less than <u>\$505,229</u>	\$0 to More or Less than <u>\$534,003</u>	\$0 to More or Less than <u>\$534,003</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

As specified in bill, the average daily attendance of a student who is enrolled full-time in the Missouri Course Access and Virtual School Program shall be calculated as the quotient or the sum of the quotients obtained by dividing the total number of hours attended in a term by enrolled pupils between the ages of five and twenty-one by the actual number of hours that the program was in session in that term, and the provisions of section 162.1250 shall not apply to such funding calculation. The bill provides that students who reside in Missouri may enroll in the virtual program of their choice. Provisions of current law regarding a school district's approval of

a student's request to enroll in a virtual program shall not apply to full-time virtual program enrollment.

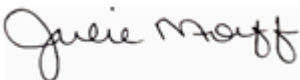
The bill requires host districts to adopt student enrollment policies for full-time virtual students and allows virtual schools to mutually agree with resident and host districts on the services that the resident district might offer, including possible financial reimbursements for those services. For students with disabilities, the enrollment policy shall ensure the development of an individualized education program and related services agreement, as necessary. The bill also specifies that student progress reports are necessary only for part-time virtual school program enrollees. The bill requires a student's parent or guardian, if the student is not considered homeless, to apply for enrollment directly with the full-time virtual program.

Finally, the bill specifies that a host district may contract with a provider to perform any required services involved with delivering a full-time virtual education.

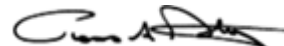
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education



Julie Morff
Director
March 5, 2024



Ross Strobe
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March 5, 2024