

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3014H.04C  
Bill No.: HCS for HB 1516  
Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education  
Type: Original  
Date: April 29, 2025

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Bill Summary: This proposal enacts provisions governing adult student access to virtual schools.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
General Revenue*	Could exceed (\$4,290,566)	Could exceed (\$4,226,479)	Could exceed (\$4,228,412)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Could exceed (\$4,290,566)</b>	<b>Could exceed (\$4,226,479)</b>	<b>Could exceed (\$4,228,412)</b>

\*Oversight notes costs to DESE include adult student reimbursement, 1 FTE and ITSD costs in order to meet the requirements of the proposal. These costs will exceed the \$250,000 threshold.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</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>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
<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>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 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>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
<b>Local Government*</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

\*Additional State funding for adult students enrolled in virtual program will result in a revenue gain to school districts.

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **§161.672 – Adult Student Virtual Programs**

Officials from the **Department of Elementary and Secondary Education** assume the Adult Education section would be required to manage or maintain data on these students as well as provide technical assistance to districts and charter schools. This would require a Program Support specialist with the associated salary and expenses. In addition, DESE assumes this data would be managed by a system similar to the current Adult Education and Literacy data system for an annual license cost of \$90,000. It is assumed that the proposed bill will also affect ITSD's Electronic Planning and Electronic Grants application which will require modifications for an initial cost of \$96,390 and an upkeep cost of \$19,760 for FY27 and \$20,254 for FY28.

It is unknown to DESE how many adults would participate in the program which is why the low cost for reimbursements is unknown. However, there are 300,000 adults in the state that need a high school diploma and if each decided to participate that would mean **\$2,028,000,000** (300,000 potential students X \$6,760) for maximum reimbursements. While DESE assumes not every eligible adult will participate in the program it is impossible to know how many will choose to participate in the program.

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. ITSD assumes EPEGS is the application/system where the modifications would be required. It's assumed no other app/systems would be affected. It's assumed EPEGS application and databases, and source code can withstand the changes described. Its assumed DESE provides staffing for communicating said changes, and allows those staff time to test the changes with ITSD. The estimate is based on the limited revisions in this proposal. ITSD estimates the project would take 918 hours at a contract rate of \$105 for a total cost of **\$96,390** with on-going support costs of **\$19,760** in FY 2027 and **\$20,254** in FY 2028.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact by ITSD in the fiscal note.

In addition, **DESE** also noted there is concern that the use of the state adequacy target to solely fund the adult virtual program is unconstitutional as Article IX is for free public education for those under 21 only. The State adequacy target is a key component in the Foundation Formula whose funding is there to fulfill the constitutional requirement to provide free public education for those individuals ages five to twenty-one. There is no other funding for "State Adequacy Funds

**Oversight** notes upon further inquiry, DESE provided the following statistics in relation to similar current programs:

Workforce Diploma online high school diploma program participation (data provided by Graduation Alliance):

- 2022-2023=596 students (all students were new)
- 2023-2024=253 newly enrolled students (they do not have a count of carry-over enrollments from the previous FY)

Adult Education Literacy program (which includes in-person and virtual classes) participation:

- 2022-2023=13,229 students
- 2023-2024=14,776 students
- 2024-2025 YTD=14,382 students

**Oversight** will reflect the cost per student estimated by DESE and the participation based on the participation in the “Workforce Diploma Program” resulting in a cost of **\$4,028,960** (596 x \$6,760). In addition, Oversight will reflect an unknown cost for schools to educate the additional students.

**Oversight** received zero 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>GENERAL REVENUE</b>			
<u>Costs</u> – DESE/OA -ITSD - EPEGS §161.672 p.3	(\$96,390)	(\$19,760)	(\$20,254)
<u>Costs</u> – DESE – §161.672 p.3 Annual data license	(\$90,000)	(\$90,000)	(\$90,000)
<u>Costs</u> – DESE – §161.672 p.3 Adult Student Reimbursement	Could exceed (\$4,028,960)	Could exceed (\$4,028,960)	Could exceed (\$4,028,960)
<u>Costs</u> – DESE §161.672 p.3			
Personnel Service	(\$37,400)	(\$45,778)	(\$46,693)
Fringe Benefits	(\$28,150)	(\$34,140)	(\$34,507)
Expense & Equipment	(\$9,666)	(\$7,841)	(\$7,998)
<u>Total Costs</u> – DESE	(\$75,216)	(\$87,759)	(\$89,198)
FTE Change - DESE	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>Could exceed (\$4,290,566)</b>	<b>Could exceed (\$4,226,479)</b>	<b>Could exceed (\$4,228,412)</b>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>SCHOOL DISTRICTS</b>			
<u>Revenue Gain</u> – Additional State funding for adult students enrolled - §161.672 p.3	Could exceed \$4,028,960	Could exceed \$4,028,960	Could exceed \$4,028,960
<u>Costs</u> – To educate the adult students enrolled - §161.672 p.3	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICTS</b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (Unknown)</u></b>	<b><u>\$0 to (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

**Oversight** notes, this proposal is a duplication of services. It describes what is already being paid for through §173.831. DESE also claimed there was a duplication of services due to AEL offering the same programming for decades.

This bill provides adults over 21 years of age without a high school diploma or equivalence certificate with the opportunity to enroll in a state approved virtual course or full-time virtual program offered by the adult student's resident district.

The bill allows the adult student to enroll in the Missouri Course Access and Virtual School Program established under Section 161.670, RSMo. and the student will be counted as a resident pupil for state funding purposes.

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  
April 29, 2025



Jessica Harris  
Assistant Director  
April 29, 2025