

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4219-02
Bill No.: Perfected HCS for HB 1275
Subject: Education, Elementary and Secondary: Elementary and Secondary Education
 Dept; Science and Technology
Type: Original
Date: March 14, 2006

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|-------------------|-----------------------------------|-----------------------------------|
| FUND AFFECTED | FY 2007 | FY 2008 | FY 2009 |
| General Revenue | (\$96,466) | (\$102,146 to Unknown) | (\$104,698 to Unknown) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund* | (\$96,466) | (\$102,146 to Unknown) | (\$104,698 to Unknown) |

***Subject to Appropriation**

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2007 | FY 2008 | FY 2009 |
| State School Moneys Fund* | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds* | \$0 | \$0 | \$0 |

***Offsetting Transfers In and Out for FY 08 and FY 09 are unknown, but expected to exceed \$100,000, subject to appropriation**

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2007 | FY 2008 | FY 2009 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2007 | FY 2008 | FY 2009 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this proposal for Administrative Rules is less than \$1,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume DESE would identify qualified providers of online or virtual instruction. While DESE would oversee the virtual school, DESE would not house such instruction or its equipment. Districts or individuals would enroll with the providers.

The provisions of the bill as written would not begin until July 1, 2007, giving DESE a year to write the regulations, enter into contracts and modify data collection and payment systems, if needed. DESE would require 1.0 FTE Director and 1.0 FTE Secretary I to perform these preliminary duties and implement the program once established.

ASSUMPTION (continued)

Based on a cost of \$5,200 per FTE enrollment, DESE assumes participation in the program can be calculated as follows:

| <u>Fiscal Year</u> | <u>FTE enrollment</u> | <u>Cost per enrollment</u> | <u>Total</u> |
|--------------------|-----------------------|----------------------------|--------------|
| 2008 | 500 | \$5,200 | \$2,600,000 |
| 2009 | 750 | \$5,200 | \$3,900,000 |

Oversight assumes that, subject to appropriation, the virtual school will receive 85 percent of the state adequacy target attributable to each student enrolled in the virtual school which should offset costs attributed to the virtual school program.

Officials from the **Poplar Bluff School District** assume the proposed legislation could have a significant fiscal impact on schools by taking state aid normally given to a school and diverting it elsewhere.

Officials from the **Parkway School District** does not anticipate a significant fiscal impact on their district.

Officials from the **Francis-Howell School District** assume this proposed legislation would redirect state aid from the local school district to the virtual school. For FY2007-08, the Francis Howell School District would lose \$2,207.70 for every resident student who previously attended public schools in the District and then chose to enroll in the virtual school. Officials cannot estimate the number of students who may choose to enroll in a virtual school.

Oversight assumes certain school districts will have a potential unknown cost due to decreases in state aid, making more aid available to other districts; however, the total statewide school aid funding will not be affected.

| <u>FISCAL IMPACT - State Government</u> | FY 2007 (10 Mo.) | FY 2008 | FY 2009 |
|--|---------------------|---|---|
| GENERAL REVENUE | | | |
| <u>Cost</u> - Department of Elementary and Secondary Education - Virtual School Program | | | |
| Personal Costs (2 FTE) | (\$56,646) | (\$70,905) | (\$72,677) |
| Fringe Benefits | (\$25,399) | (\$31,241) | (\$32,021) |
| Equipment and Expense | (\$13,421) | \$0 | \$0 |
| Program Cost | | (Unknown - Expected to Exceed \$100,000) | (Unknown - Expected to Exceed \$100,000) |
| TOTAL PROGRAM COSTS | <u>(\$96,466)</u> | (\$102,146 to <u>Unknown</u>) | \$104,698 to <u>Unknown</u>) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE* | <u>(\$96,466)</u> | <u>(\$102,146 to Unknown)</u> | <u>(\$104,698 to Unknown)</u> |
| * Subject to Appropriation | | | |
| STATE SCHOOL MONEYS FUND | | | |
| <u>Transfer In</u> - Department of Elementary and Secondary Education - Virtual School Program* | \$0 | Unknown - Expected to Exceed \$100,000) | Unknown - Expected to Exceed \$100,000) |
| <u>Transfer Out</u> - Disbursement to Virtual School Program (85% of the State Adequacy Target attributable to each pupil enrolled)* | \$0 | (Unknown - Expected to Exceed \$100,000) | (Unknown - Expected to Exceed \$100,000) |
| ESTIMATED NET EFFECT ON STATE SCHOOL MONEYS FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| *Subject to appropriation | | | |

| <u>FISCAL IMPACT - Local Government</u> | FY 2007 | FY 2008 | FY 2009 |
|---|------------|------------|------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposed legislation requires the State Board of Education to establish a virtual public school by July 1, 2007. Any student in kindergarten through grade 12 may enroll, regardless of where the student lives within the state. State school aid will treat the student a part of the enrollment of the district in which the student physically resides if the parent so chooses. The virtual public school will report aid-related data to the district of residence. A full-time equivalent student is one who completes six credits per regular term, and each virtual course counts as one class.

The school district will retain 15% of state aid under Section 163.031, RSMo, related to the funding formula and Section 163.043, related to the Classroom Trust Fund, attributable to the student; and the virtual public school will receive 85% of the state adequacy target attributable to the student. The virtual public school must comply with all laws applicable to school districts including the state accreditation program, adequate yearly progress, annual performance report, teacher certification, and curriculum standards.

The State Board of Education through the rule-making process and the Department of Elementary and Secondary Education in its policies and procedures shall ensure that multiple content providers are allowed.

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
Office of Secretary of State
 Administrative Rules Division
School Districts
 Poplar Bluff
 Francis-Howell
 Parkway



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Director
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