



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	HB0162
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<b>Title:</b>	Revise laws related to the Montana digital academy
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<b>Primary Sponsor:</b>	Schwaderer, Nicholas
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<b>Status:</b>	As Introduced
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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
Other	\$730,000	\$731,050	\$732,116	\$733,197
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Other	\$1,669,500	\$1,701,000	\$1,732,500	\$1,764,000
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** HB 162 establishes a rate structure for charging school districts fees for students who are enrolled in courses offered by the Montana Digital Academy.

### FISCAL ANALYSIS

#### Assumptions:

1. HB 162 amends the purpose of the Montana Digital Academy (MTDA) (20-7-1201, MCA) to include "offer[ing] courses that allow a student to meet the minimum graduation requirements established in the accreditation standards and enact[ing] enrollment policies allowing a student to pursue the student's high school diploma through online distance learning."
2. The bill requires school districts that enroll students in the MTDA to pay fees to MTDA for the enrollments in addition to any legislatively appropriated funding.
3. For original credit courses the fee will be 1/16<sup>th</sup> of the per-ANB entitlement multiplied by 85% for each course that a student takes up to three courses. For a fourth course and any additional courses, the fee will be 1/16<sup>th</sup> of the per-ANB entitlement multiplied by 70%. For credit recovery courses, the fee will be 1/16<sup>th</sup> of

the per-ANB entitlement multiplied by 50% for each course. The high school per-ANB entitlement rates apply to both high school and middle school students enrolled in courses at the MTDA.

Original Credit	Percentage Adjustment	FY 2016	FY 2017
First three courses	85%	\$343	\$349
Fourth course or more	70%	\$282	\$288
Credit Recovery	50%	\$202	\$206

- The current enrollment at the MTDA is approximately 9,000 students. Forty-five percent of the enrollments are for original credit and fifty-five percent are for credit recovery.
- For purposes of this fiscal note, OPI assumed an average fee per student of \$265 in FY 2016 and \$270 in FY 2017. It is assumed that enrollments in the MTDA will decline by 30% when per-student fees are charged for each course enrollment. The chart below shows the assumed fees paid by schools:

% Decline in MTDA Enrollment	Revised MTDA Enrollment	FY 2016 Cost to Schools	FY 2017 Cost to Schools
30%	6,300	\$1,669,500	\$1,701,000

- The MTDA does not currently have administrative expenses associated with charging fees for courses. The MTDA estimates that the personnel and operating costs associated with assessing fees, invoicing schools, and collecting receivables would require 1.00 FTE at a cost of \$70,000 per year.
- HB 162 requires the MTDA to compensate teachers of original credit courses at a rate of \$500 per course plus \$150 for every student enrolled. Assuming 50 original credit courses for 45% of 6,300 students, the cost for original credit courses teachers would be approximately \$450,000.
- HB 162 requires the MTDA to compensate teachers of credit recovery courses at a rate of \$3,000 per course to supervise no more than 100 students at any time. Assuming 50 recovery credit courses for 55% of 6,300 students, the cost for credit recovery courses teachers would be approximately \$210,000.
- For purposes of this fiscal note, it assumed that the revenue goes in to a non-budgeted fund in to be used for the digital academy to pay teachers and operating expenses.
- HB 162 states that this revenue is in addition to any amount appropriated to the Montana Digital Academy by the legislature. Currently, MTDA has base funding of \$1,168,000 in the Office of Public Instruction base budget.

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	1.00	1.00	1.00	1.00
<b><u>Expenditures:</u></b>				
Personal Services	\$70,000	\$71,050	\$72,116	\$73,197
Teacher Compensation	\$660,000	\$660,000	\$660,000	\$660,000
<b>TOTAL Expenditures</b>	<b>\$730,000</b>	<b>\$731,050</b>	<b>\$732,116</b>	<b>\$733,197</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$730,000	\$731,050	\$732,116	\$733,197
<b>TOTAL Funding of Exp.</b>	<b>\$730,000</b>	<b>\$731,050</b>	<b>\$732,116</b>	<b>\$733,197</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$1,669,500	\$1,701,000	\$1,732,500	\$1,764,000
<b>TOTAL Revenues</b>	<b>\$1,669,500</b>	<b>\$1,701,000</b>	<b>\$1,732,500</b>	<b>\$1,764,000</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$939,500	\$969,950	\$1,000,384	\$1,030,803

**Effect on County or Other Local Revenues or Expenditures:**

1. Local school districts would be responsible for paying the assessed fees for the MTDA courses at approximately \$1.7 million per year.

**Long-Term Impacts:**

1. Enrollments in the MTDA are expected to decline, and fewer original credit courses are likely to be offered to middle and high school students.

**Technical Notes:**

1. The MTDA does not offer an accredited high school program and is not authorized to issue a high school diploma. A student can earn credits toward graduation through online distance learning, but the student receives a diploma from the high school in which the student is enrolled, not from the MTDA.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*