

Legislative Post Audit Performance Audit Report Highlights

K-12 Education: Reviewing Virtual School Costs and Student Performance

Report Highlights

January 2015 • R-15-001

Summary of Legislator Concerns

During the 2014 legislative session, the Kansas Legislature passed Senate Substitute for House Bill 2506 which required our office to conduct an audit of the costs associated with operating virtual schools by February 1, 2015.

Background Information

Kansas law requires that virtual schools use internet-based instruction and that teachers and students be separated by time and place.

Kansas had 48 virtual schools that served 6,400 FTE students in the 2013-14 school year.

In the 2013-14 school year, virtual school students were less likely to qualify for free lunch, received fewer special education services, and were more likely to be adults than students in more traditional settings.


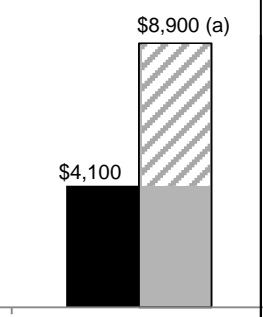
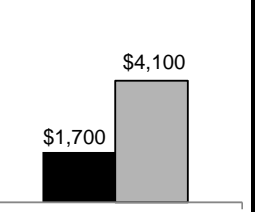
QUESTION 1: What Kinds of Services do Kansas Virtual Schools Provide?

- We selected a sample of six virtual schools and 222 virtual school students to evaluate the services the schools offered and how often students used those services.
- All six of the selected schools offered full curriculums appropriate to the age of their students including core courses such as math and science, as well as elective courses such as art and music.
- The selected schools generally offered the same type of support services to both adult and K-12 students, but the students' use of those services varied.
 - K-12 students were more likely to use at-risk services than adult students.
 - Conversely, adults were more likely to use job and career planning and guidance counseling than K-12 students.
- Some virtual schools also provided additional materials such as computers and science supplies and extracurricular activities such as field trips.
 - All six virtual schools also provided educational resources such as textbooks.
 - Two virtual schools routinely provided computers to students.
 - Only K-12 virtual schools provided extracurricular opportunities.

QUESTION 2: How Do Virtual Schools Operating Costs Compare to the Amount of State Funding They Receive and what are Their Outcomes?

- We identified three different models of virtual education in Kansas.
 - Forty-four virtual schools offered a full-time K-12 curriculum to students. These schools offered educational services to school-aged students.
 - Four virtual schools offered an adult diploma completion program to students. These schools catered to adult students seeking their high school diploma.
 - One virtual school offered part-time K-12 courses to a large number of private school students. This school allowed private school students to enroll in a course or two each year.

**Comparison of Costs and Funding
For Three Virtual School Education Models in Kansas
(2013-14 school year)**

	Full-Time K-12 Curriculum	Adult Diploma Completion	Part-Time K-12 Courses
Funding & Costs (Per FTE Student)			
FTE Enrollment (% of total)	4,624 (71%)	1,326 (20%) (b)	558 (c) (9%)

(a) Officially, adult diploma completion programs receive approximately \$4,100 in state aid per FTE student (the same as the other models). However, because the FTE counts of adult students are significantly overstated, the funding per actual FTE student is much higher.

(b) This enrollment figure represents all adult students enrolled in a virtual school across all three models because the number of adults specifically enrolled in an adult diploma completion program is unavailable. Based on available data, we think the number of adults enrolled in a diploma completion center is at least 450.

(c) This number reflects the only school included in this model (Andover) because it enrolled the majority of the total K-12 part-time students.

Source: LPA analysis of select virtual schools' resources and expenditures, interviews with school administrators and virtual school consultants, and audited KSDE student data.

Findings Related to Funding and Costs for the Full-Time K-12 Curriculum Model

- We estimate the cost of operating a full-time K-12 virtual school is about \$4,500 to \$5,600 per FTE student.
- In 2013-14, full-time K-12 virtual schools received an estimated \$400 to \$1,500 less per FTE student in state funding than it cost to operate them.
- For the students in our sample who were enrolled in a full-time K-12 virtual school, the number of minutes reported on count dates was generally consistent with the students' actual course loads.

Findings Related to Funding and Costs for the Adult Diploma Completion Virtual School Model

- We estimate the cost of operating a virtual diploma completion program for adults is about \$3,300 to \$4,100 per FTE student.
- In 2013-14, adult diploma completion programs received an estimated \$4,800 to \$5,600 per FTE student more in state funding than it cost to operate them.
 - Unlike full-time K-12 students, the number of minutes adult students were funded for on count days significantly overstated their course loads.
 - Consequently, the state provided the equivalent of \$8,900 in funding for each adult diploma completion FTE student in 2013-14.

Virtual schools are funded similarly to traditional schools, although there are some key differences in how students are counted and which types of additional funding they can receive.

Although virtual school funding per FTE student has remained relatively constant, total virtual school funding has significantly increased from \$17.4 million in 2009 to \$26.3 million in 2013.

The 2014 Legislature made two key changes that will affect virtual school funding beginning with the 2014-15 school year:

- *Districts will no longer be allowed to include the funding associated with virtual school students to determine the size of their local option budget.*
- *Districts will no longer receive funding associated with students who were not proficient on state assessments.*

To estimate the operating costs for each type of virtual school we built separate cost models based on the resources each requires.

We asked two consultants with extensive experience in virtual schools to provide us with feedback regarding the reasonableness of the resources we allocated to each type of virtual school.

A detailed explanation of our funding and costs comparison methodology is provided in Appendix E in the report.

Findings Related to Funding and Costs for the Part-Time K-12 Model

- We estimate the cost of providing individual courses to K-12 students is about \$1,700 per FTE student.
- Part-time K-12 schools received an estimated \$2,500 more per FTE student than it cost to operate.
- The number of minutes students reported on count dates was generally consistent with their yearly course load.
- Andover's eCademy has two distinct types of virtual school students, including the largest part-time K-12 model. The way its part-time K-12 model uses state funds and provides courses to students is inconsistent with the intent of the Virtual School Act.
 - Its arrangement with the Wichita-area Catholic schools takes advantage of a loophole in the way the state funds virtual schools.
 - The students are required to access virtual courses during a set time each day, which is inconsistent with intent of the law.

Findings Related to Outcomes for Students in All Three Models

- Full-time K-12 virtual school students performed similarly to traditional school students on state assessments.
 - Virtual school students perform similarly to traditional school students in reading before and after controlling for student demographics.
 - After controlling for demographic differences, virtual school students' performance in math was similar to that of traditional school students.
- The adult students in our sample made little progress in earning their high school diplomas.
 - On average, the students in our sample earned about half a credit a year, and many (55%) did not earn any credits at all.
 - Adult students often have unique challenges to earning their diplomas, including work and family responsibilities.
 - Schools serving adult students in this model are not accountable for student performance and there are no repercussions for schools if students fail to complete their courses.

Other Findings on Virtual School Funding, Costs, and Outcomes

- Including virtual school students in the calculation for assessed valuation per pupil (AVPP) allows some districts to receive more funding than intended.
 - Assessed valuation per pupil is intended to act as an indicator of how much property tax a district can raise.
 - Allowing districts to include virtual school students in the AVPP calculation allows districts with virtual schools to receive more supplemental equalization aid than was likely intended.
 - However, removing virtual school students from the AVPP calculation would increase the total amount of supplemental equalization aid the state provides to school districts.

- Statute currently provides a non-proficient weighting for virtual school students that should have been removed.
- Districts did not fully account for all of their virtual school expenditures in the appropriate fund as required by state law.

QUESTION 3: *Has the Department of Education Provided Sufficient Oversight of Virtual Schools?*

- KSDE has implemented most, but not all, of our 2007 virtual school audit recommendations.
- KSDE approved two districts to operate virtual schools even though problems it identified had not been addressed.
 - KSDE staff identified problems with how two districts were planning to enroll and meet the needs of special education students, but approved the virtual schools anyway.
 - KSDE staff seemed to view their responsibility as that of providing support to school districts rather than providing oversight.
- We identified two additional legal requirements that most virtual schools have not complied with.
 - Districts failed to provide statutorily required vision, hearing, and dental exams to their virtual school students.
 - Districts did not submit statutorily required virtual school teacher training reports to KSDE.

SUMMARY OF RECOMMENDATIONS

- We made a number of recommendations to KSDE that included fully implementing all the recommendations from our 2007 audit and addressing the issues we identified with their oversight of virtual schools.
- We recommended the Legislature consider options to address several issues with funding virtual schools, including an alternative funding mechanism.

AGENCY RESPONSE

- KSDE officials had concerns about the sample sizes the audit's findings and conclusions were based on.
- Two school districts and one service center chose to respond. The Lawrence school district and the Andover school district agreed with the audit's findings and conclusions. The South Central Kansas Education Service Center had concerns with the students who were part of the sample.

HOW DO I REQUEST AN AUDIT?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

Legislative Division of Post Audit

800 SW Jackson Street
Suite 1200
Topeka, Kansas 66612-2212
Telephone (785) 296-3792
Fax: (785) 296-4482
Website:
<http://www.kslpa.org/>

Scott Frank
Legislative Post Auditor

For more information on this audit report, please contact
Heidi Zimmerman
(785) 296-3792
heidi.zimmerman@lpa.ks.gov