



KANSAS LEGISLATIVE
DIVISION *of*
POST AUDIT

A Performance Audit Report Presented to the Legislative Post Audit Committee

A Comparison of Virtual School Expenditures and Outcomes in Kansas and Other States

September 2022

Report Number: R-22-015

Introduction

This audit is required by K.S.A. 72-5173. It was approved by the Legislative Post Audit Committee at its March 2, 2022 meeting.

Objectives, Scope, & Methodology

Our audit objective was to answer the following question:

1. How much do state-run virtual school programs operated by other states spend, what are their academic outcomes, and how do they compare to Kansas' virtual school program?

To answer this question, we attempted to review student outcome and expenditures data from 4 other states and Kansas for the 2020-21 school year. Those states were Florida, North Dakota, Vermont, and Virginia. All 4 states operated a state-run virtual school program. They provided us with publicly available data, but the data was not detailed enough to allow us to account for operational differences between the 4 states. We were able to speak to officials from the 4 states and review program materials to understand how the other states operated their state-run virtual school program. We then compared those other states' models to the district operated model in Kansas. Finally, we worked with the Kansas Department of Education to obtain student outcome and expenditure data for the state's virtual school student population.

Through our review, we determined the student outcome data was unreliable because only 40% of eligible virtual students were included in the 2020-21 student assessment data. KSDE officials told us many students opted out of taking state assessments during the COVID-19 pandemic.

More specific details about the scope of our work and the methods we used are included throughout the report as appropriate.

Important Disclosures

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Overall, we believe the evidence obtained provides a reasonable basis for our findings and conclusions based on those audit objectives.

Audit standards require us to report our work on internal controls relevant to our audit objectives. We interviewed Kansas officials about internal controls processes they had related to student assessment data and virtual school enrollment counts. We conducted this work to mitigate audit risks in data we reported. We did not evaluate the sufficiency of these internal controls.

Our audit reports and podcasts are available on our website (www.kslpa.org).

Most of the state-run virtual school programs we identified still allowed local districts to operate virtual school programs, but we could not compare student outcomes or expenditures between states.

Background

Virtual school programs are an alternative to traditional brick-and-mortar schools.

- Virtual school programs allow students to receive their education online at a time and place that works for them. There may be no prescribed class meeting times, for example. In Kansas, virtual school programs were first authorized in 1998. Virtual school options exist for students in kindergarten through 12th grade. They are also available for adults pursuing a high school diploma.
- Public virtual school programs may take many forms, but all are funded in whole or in part by the state. The programs may be operated by a state, a school district, or through a charter. Students enroll in virtual school programs either full-time or part-time to supplement their brick-and-mortar classes.
- There was a dramatic increase in virtual school enrollment in the 2020-21 school year. This was the case nationally as well as in Kansas. Kansas saw a 76% (from about 5,700 to 9,900) increase in full-time virtual students from school year 2019-20 to 2020-21.
- Remote learning is separate from virtual school programs. During the COVID-19 pandemic, school districts used remote learning as a solution to the closure of brick-and-mortar schools. Remote learning has teachers and students log in online for class at a prescribed time instead of going in person. Students used computer applications such as Zoom. This was a temporary alternative to in-person education and should not be confused with virtual school programs.

Virtual School Programs in Kansas

In Kansas, local school districts operate virtual school programs.

- In Kansas, KSA 72-3715 allows for local school districts to have discretion in opening and operating virtual school programs. For example, school districts select the curriculum they offer to students and they can select what grade levels they serve. Some Kansas school districts operate their own virtual school program, some districts partner together, while others contract with a service center (such as Greenbush or Orion) to run their program. Additionally, some

school districts have their own curriculum while others contract with a private company (such as Edgenuity) to provide an online platform and curriculum for the virtual school program.

- School districts get approval from the Kansas Department of Education (KSDE) before starting virtual school programs. School districts must then provide documentation to KSDE that they are complying with virtual school program requirements. For example, school districts are required to participate in KSDE training, develop a virtual school handbook, and have appropriately licensed staff. Unless substantial changes are made to the program, this documentation is required every three years.
- K.S.A. 72-3715 establishes how much funding school districts receive for virtual education. In recent years, school districts received \$5,000 per full-time virtual student. Part-time students are funded at \$1,700 per 1 FTE (Full Time Equivalent). 1 FTE is the equivalent of 1 student enrolled full-time (360 minutes per day). Thus, 1 FTE could be 2 students enrolled to attend half a day. Adult virtual students (over the age of 19) are funded at \$709 per one-hour course that is passed.
- Amendments made to K.S.A. 72-3715 during the 2022 Legislative Session increased funding for virtual education starting July 1, 2022. The amendments increased funding to \$5,600 per full-time student and \$2,800 per 1 FTE. Funding for adult students did not change, but virtual students under the age of 19 enrolled in a dropout diploma completion program are now funded at \$709 per one-hour course that is passed.
- Virtual school programs may charge the same fees that brick-and-mortar schools are allowed to charge. This would include textbook fees, science or art class fees, etc. These fees do not significantly supplement state funding like in some of the sample states discussed later in the report.

In Kansas, 105 school districts spent at least \$50 million on virtual school programs in the 2020-21 school year.

- Each year, school districts must submit financial reports to KSDE. We reviewed information from school districts' virtual fund reports for the 2020-21 school year to determine how much school districts spent on virtual school programs. This data was self-reported by school districts. Although self-reported, we spoke to school district officials to determine if these expenditures were reasonable. We also reviewed KSDE documents to determine how much virtual school funding the state provided in the 2020-21 school year.
- 105 out of 286 school districts reported spending at least \$50 million to provide services to virtual students in the 2020-21 school year. Of the 105 school districts that reported virtual school spending, about 60 of them were approved to operate their own virtual schools as of a September 2021 report.

The remaining districts contract with other districts or service centers to offer virtual school services to their students.

- The state provided school districts about \$56 million in virtual education funding from the funding formulas described above. While this amount is more than what districts reported spending from their virtual funds, virtual state aid is not required to be deposited into a district's virtual fund. Additionally, some expenditures made by a district are shared between the brick-and-mortar schools and the virtual school program. This could include shared administrative staff or internet and electricity costs. Districts do not always split these expenditures between the brick-and-mortar school and the virtual school program in their accounting reports. This level of accounting is not required.
- Contracted services (i.e., on-line virtual curriculum and platforms) made up about half (57%) of the state's \$50 million in virtual school expenditures in 2021. This would include payments made to educational service providers like Greenbush and Orion, or for virtual learning platforms like Edgenuity. These service providers also employ staff to provide instruction and support their operations. Around 37% of the expenditures were for teaching and support staff salaries and benefits. Finally, only about 4% of the state's virtual school expenditures went toward technology or supplies. This would include computers, devices, or paper.

Virtual School Programs in Other States

We reviewed 4 state-run models, 3 of which also offered district operated virtual school programs like Kansas.

- A state-run virtual school program is authorized by the state, managed by a state or a state-authorized department, receives state funds, and offers full and part-time online public education options for any student in the state. In order to identify states with state-run virtual school programs, we reviewed research on virtual schools and how various states permitted them to operate. Through our research, we only identified five states that appeared to use a state-run model. We were able to talk to officials from 4 of them: Florida, North Dakota, Vermont, and Virginia. We interviewed education officials from these states and reviewed program materials to understand how they operated their programs.
- All 4 of the state-run models we reviewed were operated or overseen by a state-authorized entity. For example, in Florida, this entity is a board appointed by their governor. In Virginia, it is their state department of education. Having a virtual program overseen by a single state entity can create some uniformity across districts in terms of programming and curriculum.

- All 4 states allowed school districts the option of operating or using other virtual school programs instead of the statewide option. In Florida, North Dakota, and Virginia districts are allowed to operate their own virtual school programs, similar to Kansas. Vermont districts may choose to use a different service to offer supplemental virtual education.
- We also found differences in how state-run virtual school programs were funded by their states. Florida was the only other state to have a per-student funding allocation similar to the Kansas funding model. In school year 2020-21, overall state funding for Florida's virtual school program was \$205 million. As stated above, in Kansas state funding was \$56 million. North Dakota, Vermont, and Virginia receive allocations from the state that do not cover the full cost of the program. This meant the programs needed other funding sources to cover the costs. We found virtual school allocations in these states ranged from around \$2 million to \$5 million per school year in recent years. To fully fund virtual school programs, North Dakota and Virginia charge schools or families additional fees. Vermont operates a cooperative model where local districts share teachers for the virtual program to help reduce costs.

A lack of data limited our comparison of other states' virtual school program expenditures and outcomes.

- We were limited to a high-level expenditure and enrollment comparison. We could not get detailed enough information from the 4 states that operated state-run models to make meaningful comparisons. For example, although we knew how much each state spent on virtual education (see above), we could not put that spending on a per-student basis or per FTE basis. This is because the states we talked to did not provide that information or did not need to make those calculations based on their funding models. As a result, we could not account for important enrollment, administrative, or other differences that could influence overall spending between states. Additionally, North Dakota, Vermont, and Virginia's virtual student outcome data could not be separated from other brick-and-mortar students. This prevented us from isolating virtual student outcomes in those states. As a result, we were only able to compare high-level expenditure and enrollment trends between states.
- Unlike Kansas, teacher and support staff expenditures made up most (about 71% to 86%) of virtual school spending in the 4 other states over recent years. Conversely, only about 37% of Kansas' total virtual expenditures went towards teachers or support staff during the 2020-21 school year. As mentioned above, about half (57%) of Kansas' virtual spending in 2020-21 went towards contractual services.
- Unlike Kansas, most virtual students (about 90%) in the 4 other states attended virtual schools part time in recent years. In contrast, around 70% of students enrolled in Kansas' virtual school programs are enrolled as full-time students. Students are part-time virtual students when they supplement their

brick-and-mortar education with one or more virtual classes. For example, an in-person student could enroll in a virtual school program for a class that their brick-and-mortar school does not offer.

Data reliability issues prevented us from evaluating outcomes for virtual students in Kansas.

- We requested Kansas virtual school assessment data for school year 2020-21. We chose this year because it was the most recent school year where state testing outcomes were available. Once we reviewed the data, we learned that only about 40% of eligible virtual school students took a state assessment during this year. KSDE told us that many virtual students opted out of the state assessments due to the COVID-19 pandemic. Because the data was incomplete, we were unable to use it for our analysis.
- Because we did not receive other states' outcome data, we did not request Kansas outcome data from prior years. That's because our audit objective was to compare Kansas' student outcomes to those in other state-run programs.

Conclusion

Although they are different models, we still found similarities between local and state-run virtual programs. Generally, state-run programs developed a single virtual curriculum and platform for all their virtual students. This created uniformity across the states by reducing program differences between school districts. That being said, most state-run models we reviewed still allowed local districts to develop their own virtual programs if they choose to do so. Meanwhile, Kansas' virtual school model allowed each school district to develop their own unique virtual program, including criteria and curriculum. However, many school districts in Kansas contracted with the same service providers to deliver their virtual content, thus creating some uniformity across the state. Although seemingly unintentional, the two virtual-school models appeared to share some similarities in how they delivered virtual education.

Recommendations

We did not make any recommendations for this audit.

Agency Response

On August 19, 2022 we provided the draft audit report to the Kansas Department of Education. Because we did not make any recommendations, the agency's written

response was optional. The agency chose not to submit a response.