Costs and Funding for Online Schools

Dr. Allison Powell

Vice President, State and District Services

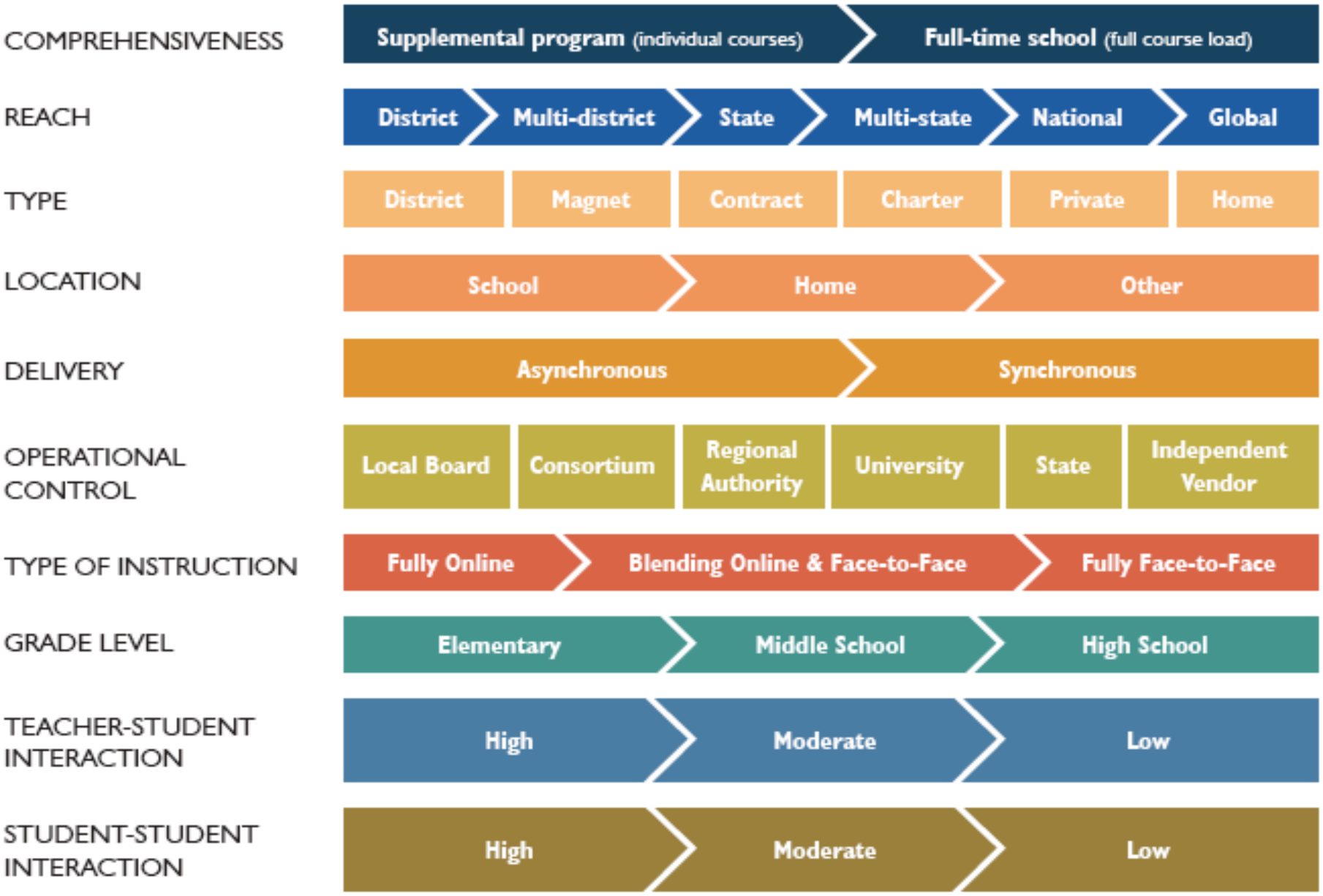
www.inacol.org

iNACOL
International Association for K-12 Online Learning

International Association for K-12 Online Learning (*i*NACOL)

- *i*NACOL is the premier K-12 nonprofit in online learning
- 3700+ members in K-12 virtual schools and online learning representing over 50 countries
- Provides leadership, advocacy, research, training, and networking with experts in K-12 online learning.
- “Ensure every student has access to the best education available regardless of geography, income or background.”
- Conference – Virtual School Symposium (VSS): Indianapolis, IN on November 13-15, 2011

THE DEFINING DIMENSIONS OF ONLINE PROGRAMS



Attributes of State Virtual Schools

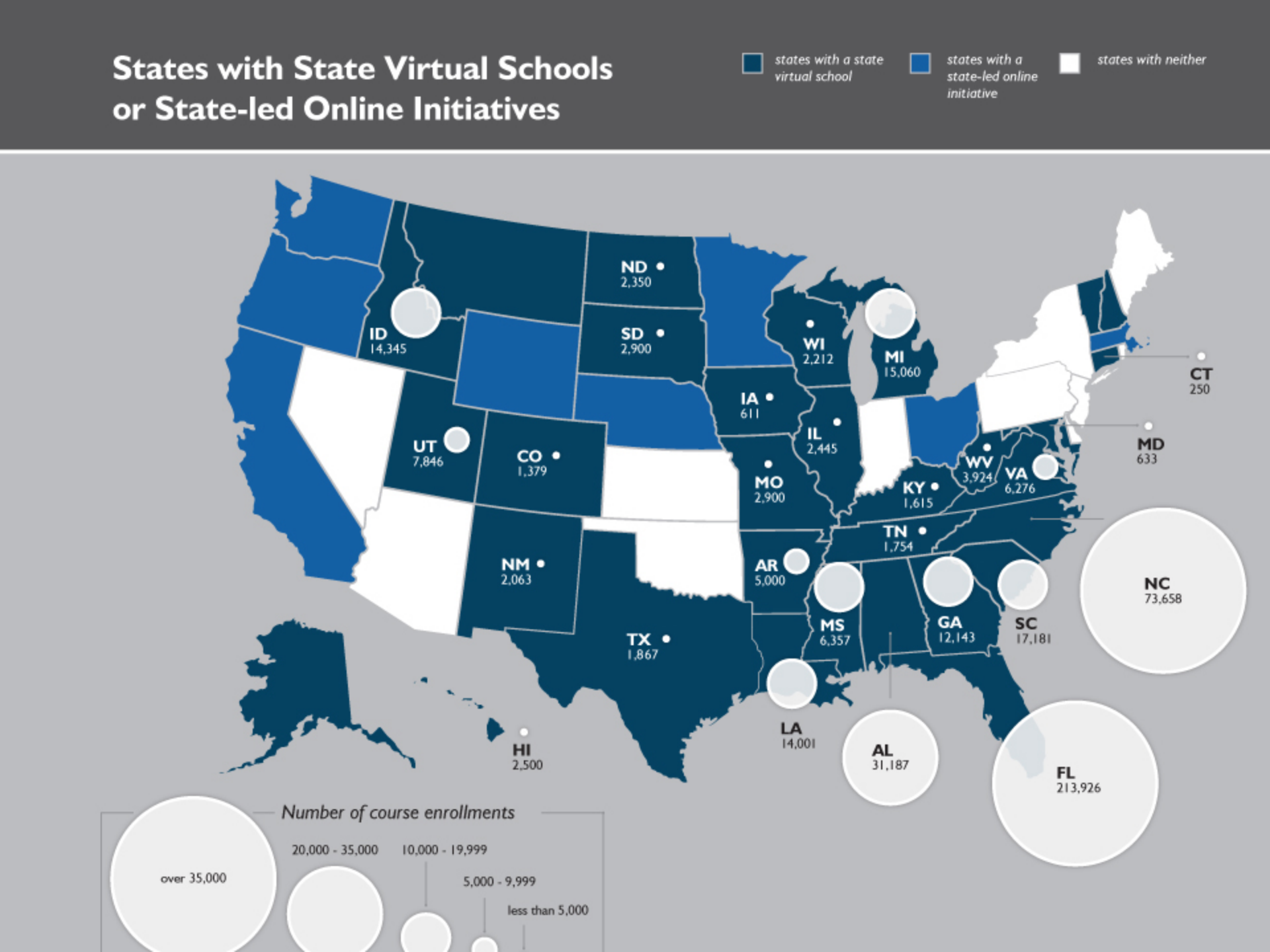
Most state virtual schools share the following attributes:

- **Size -** Most have a few thousand to about 16,000 course enrollments (one student taking one semester-long course) in 2009-10.
- **Funding -** Funded primarily by legislative appropriation, sometimes supplemented by charging course fees.
- **Grade level -** Grade levels are primarily high school, although half offer middle school courses and most offer high school courses to middle school students.
- **Full-time students -** Most provide supplemental courses to students who are enrolled in another school full time. Though half offer a full-time option, most serve few or no full-time students.
- **Organization type -** Run by or within the state education agency.
- **Accountability for student achievement -** Most state virtual schools work in partnership with local school districts, which grant the credit for the online course. The state virtual school provides the grade for the course. With the exception of courses that have a common exam that is the same for both online and face-to-face courses (e.g., Advanced Placement courses and, in some states, end-of-course exams), in most cases student achievement is not easily tracked beyond measures such as grades and course completions.

Exceptions to the Common Attributes

- **Size -** Florida Virtual School is roughly three times larger than any other state virtual school, and 10-25 times larger than most, with 213,926 course enrollments in 2009-10.
- **Funding -** The growth of FLVS is in part due to its funding, which draws on the same funding formula as the state's traditional public schools. Any high school student in Florida can choose an FLVS course without restriction, and the funding tied to that student goes to FLVS. No other state-led program has this funding model, although for 2010-11 North Carolina has instituted a funding formula approach that is similar in some ways to Florida.
- **Grade level -** Florida Virtual School (FLVS) offers elementary school courses (in conjunction with Connections Academy); the Missouri Virtual Instruction Program also offers elementary courses, though either students or their home district must pay tuition.
- **Full-time students -** Some state virtual schools have a small number of full-time students; FLVS has full-time students in its K-8 programs.
- **Organization type -** Colorado Online Learning and the Michigan Virtual School are (or are part of) non-governmental, non-profit organizations. Idaho Digital Learning Academy is a government entity but is recognized (by legislation passed in 2008) as existing outside the state education agency. Mississippi Virtual Public School is now run by Connections Academy through a contract with the MS Department of Education. Montana Digital Academy is a unit of the Montana higher education system hosted by the University of Montana's College of Education. Missouri Virtual Instruction Program and Illinois Virtual School outsource operations to other government entities in the state.

States with State Virtual Schools or State-led Online Initiatives



Full-Time, Multi-district Online Schools

- Online schools that serve students full-time from across multiple districts, and often an entire state
- Make up a second major sector of online learning.
- These schools are often, but not always, charter schools.
- In full-time online schools, students enroll and earn credit and diplomas issued by the online school.
- The number of states that have full-time online schools is growing, as is the number of these schools, and the number of students obtaining most or all of their education online.
- Although growth has not been equal across all states, in general growth in full-time online schools across the country has been more steady than the uneven growth experienced by state virtual schools.
- As of fall 2010, 27 states and Washington DC have at least one full-time online school operating across multiple districts (Figure 6).

Attributes of Full-Time, Multi-district Online Programs

- **Organization type -** Often organized as a charter school.
- **Affiliation -** Many schools are affiliated with a national organization, such as Connections Academy, K12 Inc., Advanced Academics, or Insight Schools, which provides courses, software, teacher professional development, and other key management and logistical support.
- **Geographic reach -** Most of these schools attract students from across the entire state, in order to achieve scale; therefore most of these schools are in states that allow students to enroll across district lines and have funding follow the student. The Electronic Course Program in Texas offers full-time online courses statewide to students in grades 3-10.
- **All grade levels -** are offered in online schools collectively, although individual schools may be limited to older or younger students.
- **Funding -** is often provided via state public education funds that follow the student, though some are funded through appropriations, fees, or grants.
- **Enrollments -** Most have few or no part-time students, and most have enrollment of a few hundred to several thousand students (FTE).
- **Accountability for student achievement -** Because these are full-time schools, they are accountable in the same ways as all other public schools and/or charter schools in the states in which they operate. They report results of state assessments and Adequate Yearly Progress (AYP).

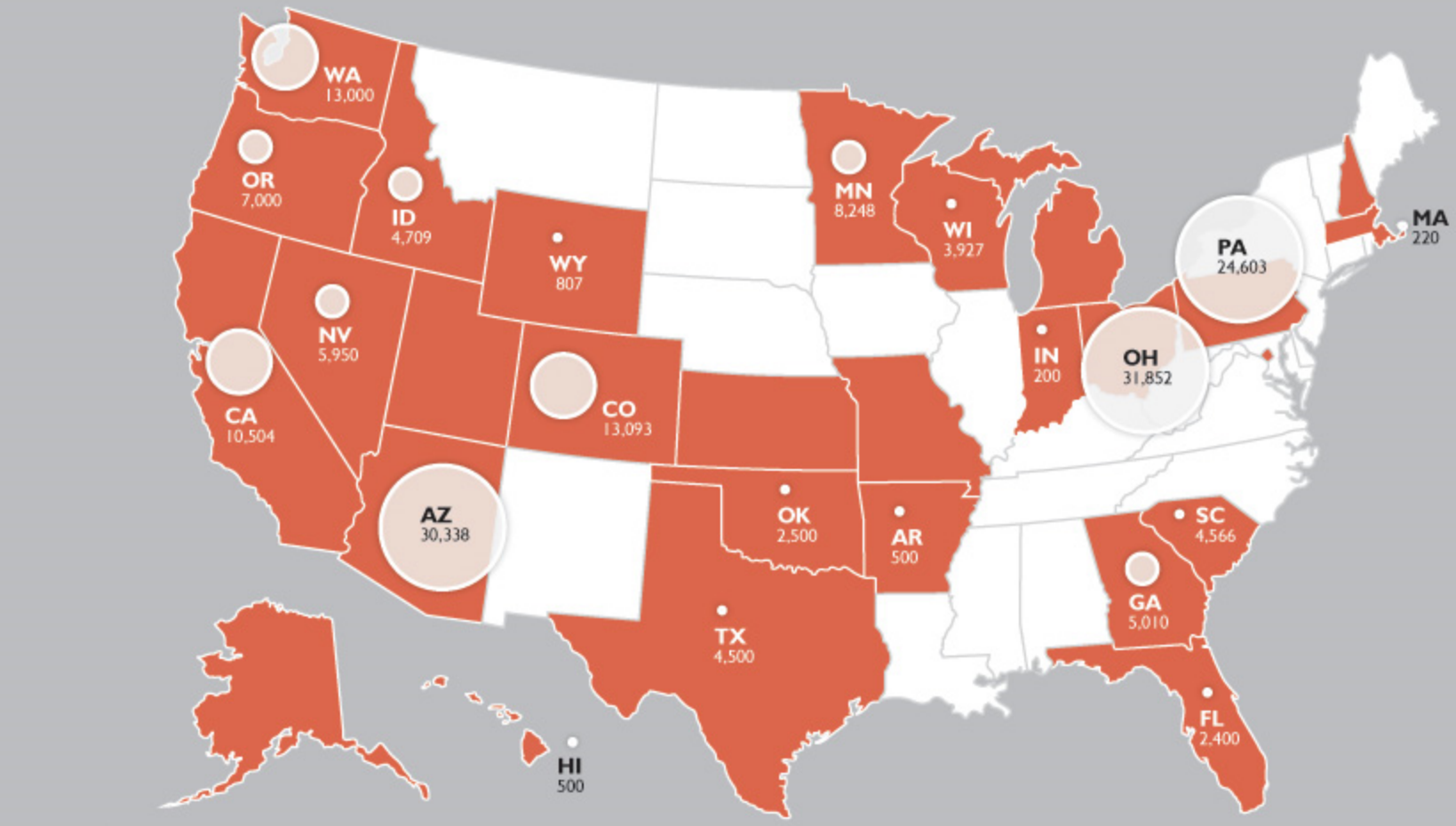
Exceptions to the common attributes include:

- **Organization type -** Some states that do not have charter schools have districts that are offering online schools to students across the state. In some states such as Colorado, full-time online schools are a mix of charter schools and district programs.
- **Affiliation -** There are many online schools that are not affiliated with a national organization. Most of these are independent.
- **Geographic reach -** Multi-district schools in California are limited to drawing students from contiguous counties. Some national education management organizations have multiple schools in California, in effect covering most of the state.
- **Funding -** Some states, for example Colorado, have established funding levels for online students that are different than funding for students in physical schools.

States with Multi-district Full-time Online Schools

states with a multi-district full-time online school

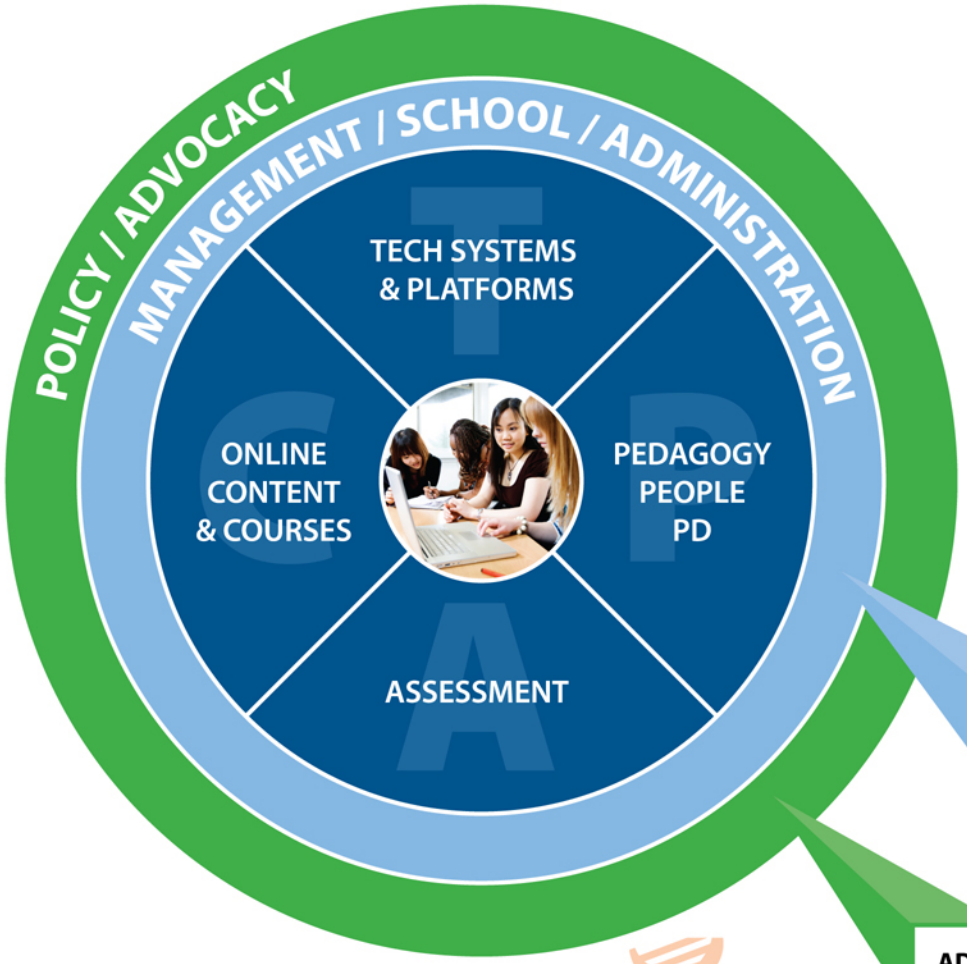
states without a multi-district full-time online school



Differences in Funding Responsibilities

- Supplemental
  - Do not grant credit
  - Implement IEP (sometimes)
  - Primarily HS only (some middle school)
  - Part-time Faculty
- Full-Time
  - Must adhere to all state and federal accountability req. (State Assess., NCLB, etc.) Space Needs Across State)
  - Special Needs Accommodations (all)
  - Student Support Services (Enrollment, Counseling, Extra-curriculars)
  - Serve all grade levels
  - Data compilation (Tracking students academic records)
  - Full-time Staff (benefits)
  - Student Technology

TPAC for Online & Blended Learning



T **TECHNOLOGY PLATFORMS**
- Enterprise architecture
- Learning management system/virtual learning environment
- 1:1 computing
- Broadband internet infrastructure
- Need new SIS models for standards-based and new competency-based approaches

P **PEOPLE / PEDAGOGY / PD**
- Teachers need new skills to teach online
- Administrators need new skills to manage online programs
- New Response to Intervention (RTI) models through blended

A **ASSESSMENT**
- Online / adaptive
- Personalization engines
- Performance-based

C **ONLINE CONTENT**
- Online courses
- Dual enrollment
- Credit recovery
- Common core curriculum

STUDENT SUPPORT SERVICES
- Online tutoring
- Technical support
- Registration
- Counseling

ADVOCACY / POLICY
Does every student have access to online learning?
- Policies and funding models
- Remove barriers that limit enrollment

NEXT GEN MODELS
need to reset model for competency-based

Advance every student's right to online learning opportunity

- **Responsive state policies** so that a student's choice of online opportunity is facilitated rather than blocked.
- **Fair and sustainable funding** so that online learning opportunities expand with student demand.
- **Sensible and responsible oversight** so that each student is guaranteed quality in the online opportunities available.
- **Modern frameworks for curriculum and instruction** so that each student may be assured of credit for successful online work.
- **Thoughtful teacher licensure requirements** so a student may always benefit from the best online instructors.
- **Valid research** so that a student's online opportunities reflect effective best practices.

Fair and Sustainable Funding

- Independent, national studies suggest virtual schools funding should be about the same as those of a regular brick and mortar school. Costs for full-time virtual schools ranged from $7,200 - $8,300 per pupil (Augenblick, Palaich and Associates)
  - savings compared to $10,000 per pupil national average for K-12 education
- Average funding for virtual charter schools in U.S. is $6,500 per pupil (2010)

Funding Online Learning

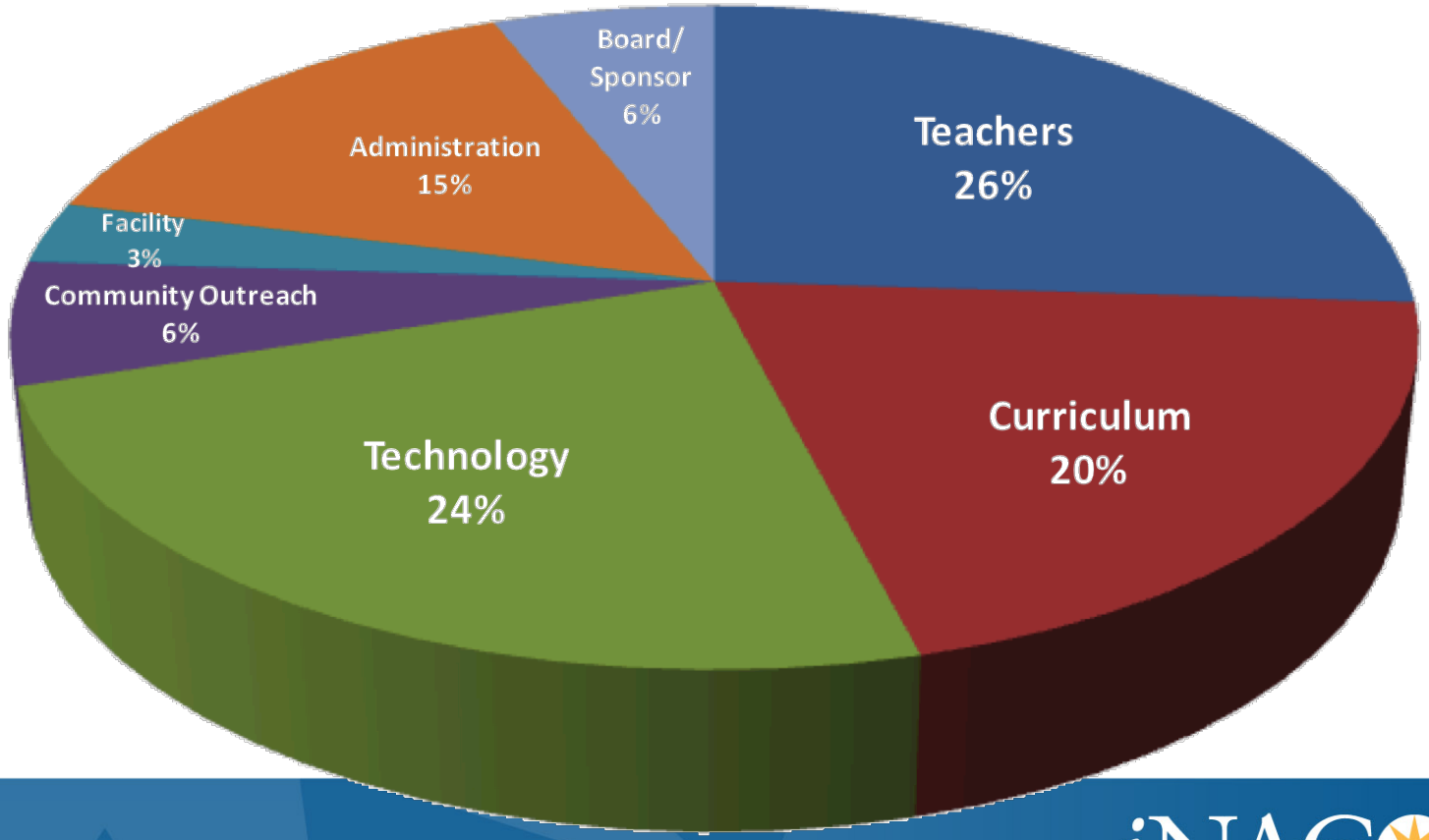
- **Key Considerations:**
  - What are the **COSTS** of quality online learning?
  - How do taxpayer dollars **FLOW** to K-12 online learning?
  - How can funding be made **SUSTAINABLE** so every student who needs online can have it?

What are the COSTS?

- **Myth:** Online learning is cheap.
  - It's just a kid, a computer, and stuff on the screen – how much could that cost?
- **Reality:** Quality online learning is cost-effective.
  - Real costs include expert teachers, curriculum development/licensing, computers, course delivery and data systems PLUS special services and often physical materials

Costs of Typical Online School

Total per-pupil expenditure = $6,500



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Cost Considerations

- Management – administrative personnel, travel, supplies, office furniture, facilities, insurance, legal, postage, marketing, public relations, recruitment, and strategic planning
- Instruction – instructional personnel, professional development, travel, instructional supplies and materials, assessment/test preparation, contracted services, and software licensing
- Course Development – costs associated with developing or purchasing new courses and maintaining or redoing existing courses
- Technology Set Up – computers and office set-ups for all staff members, computers and connectivity for students, the LMS and SIS, and networking hardware, software and connectivity (for staff and students)
- Technology Personnel - all non-management personnel dedicated to technology, software licenses for all non-instructional staff and contracted services

- Augenblick, Palaich, & Associates, 2006

What are the COSTS?

"The operating costs of online programs are about the same as the operating costs of a regular brick-and-mortar school." – *iNACOL Promising Practices: Funding and Policy Frameworks for K-12 Online Learning*

Cost-effectiveness derives from:

- Ability to deliver courses that the local school could not afford to staff up for
- Ability to satisfy parent choice and serve students with unique learning needs without building a new school

How do taxpayer dollars **FLOW**?

- **Full-time online** (e.g., cyber charter schools and contract schools) typically funded through state's per-pupil funding formula: Funding (some or all) follows the student
- **Supplemental online** (e.g., by the course) typically funded through state appropriation and/or course fees paid by districts and/or students: Fee for service

How do taxpayer dollars FLOW?

- Accounting Considerations
  - **"Seat time" vs. mastery:** Online learning can make traditional methods of student accounting irrelevant
  - **Scale vs. control:** Open enrollment/growth across boundaries (district and state) begets efficiencies – but creates funding competition
  - **Supplement vs. supplant:** How much of online learning must be additive to traditional school program, and when can it be a substitute?

Toward SUSTAINABLE Funding

- **Near-term necessities**
  - Drive toward offering BOTH full-time and supplemental opportunities in EVERY state
  - Address barriers such as seat time, enrollment restrictions, lack of information
  - Consider flexible uses of existing funds (e.g. textbook dollars)

Toward SUSTAINABLE Funding

- **Longer term imperatives:**
  - Integration of online learning into essential K-12 education funding process: "Part of how we educate kids in this state"
  - Public-private partnerships to achieve efficiencies, avoid re-invented wheels
  - Fractional backpacking: Funding following students down to the course level

Examples of Funding Models for Virtual Schools

- Full-time Virtual Charter Schools
  - Funding follows student in full-time virtual charter schools in 27 states

- State Virtual Schools (supplemental) have different funding models

  Funding follows student 1/6 FTE
    - Florida Virtual "Performance-based funding model" and funding follows student
    - Minnesota funding follows student course enrollment
    - North Carolina FTE/6 * .75

  Annual legislative allotment limits access to number of online courses available
    - Kentucky, Virtual High School, Virtual Virginia, Georgia
    - Texas Virtual School Network – provider and user districts

  Federal Funds (Tennessee e4TN)

  Local School Districts support own program (Fairfax County, VA)

  Special Funding Sources (Federal/State/AT&T – Louisiana Virtual)

  Private Foundation Grants
    - Indiana Virtual Academy is a non-profit (501c3)
- Tuition
  - Illinois Virtual High School (within regional service agency)

Categories of States with Full-Time Schools

- Category 1: Stable
  - Full-time statewide online schools operate under a policy and reporting framework. The policy may still be the subject of political debate
- Category 2: In Flux
  - Full-time schools are operating, but no policy exists or is in question
- Category 3: Not Yet Created
  - No full-time statewide schools exist

Category 3

- Not yet created
  - No full-time statewide online schools
  - No charter school laws or a charter law that prohibits online charter schools
  - Do not allow students to enroll across district lines, or
  - Have another policy that prohibits full-time online schools

Massachusetts

- Newly created law, districts can operate statewide program
- 25% of students must come from local district and only 2% of students can come from any other single district (unless they receive waiver)
- Limited to total enrollment of 500

Category 2: In Flux

- States have some full-time online schools, but there is still some factor limiting online school enrollment
- States in Category 2:
  - Michigan - Indiana
  - Georgia - Florida
  - Oregon - Arkansas

Michigan

- Two charter schools recently authorized
- Limited to enrollments of 400
- Virtual charter schools receive same funding level as other charter schools.

Indiana

- Small pilot programs with enrollment restrictions. (500 students)
- 75% of students from school must have been enrolled in public school previous year.
- Students are funded at 80% of the average state level.

Florida

- All school districts are required to provide full-time online options for students grades K-12. (Created confusion and inefficiencies across state)
- Full-time online students are funded at same rate as face-to-face students, but only receive funding upon successful completion.

Other Category 2 States

- Oregon – capped growth of online charter schools
- Arkansas – one full-time online school, limited to 500 students
- Georgia – unable to determine level of funding

Category 1: Stable

- Usually have an online learning law that regulates schools
- Have experienced growth in number of schools, number of students per school and overall number of online students
- States in Category 1:
  - California, Colorado, Idaho, Kansas, Minnesota, Nevada, Ohio, Pennsylvania, Texas, Washington, and Wisconsin

Category 1 Attributes: Stable

- A clear law under which online schools operate
- Open enrollment allowing students to choose an online school outside their district of residence
- A reporting requirement – lets everyone know which schools are available and their achievement results

Category 1: Funding Models

- **Idaho -** Charter schools are funded based on ADA, must be accredited, reporting
- **Kansas** - Online students funded at same level as face-to-face students
- **Nevada** - Funding follows student. Student may enroll in another district's program with permission from local district. No permission required to enroll in virtual charter.

Arizona

- Online schools receive funding at 85% of the normal base support level for part-time students and 95% of the normal base support level for full-time students
- FTE funding follows the student and may be split between the school and district
- Receive funding based on current year enrollments whereas virtual public schools receive funding based on prior year enrollments

Washington

- No charter school law, all programs are run by school districts
- Receive same funding as face-to-face students
- Full-time online programs are required to meet certain quality provisions.
  - Offered by state approved provider
  - Offered by district itself to own students and to fewer than 10% of out-of-district students
  - Offered by a regional provider operating under an inter-district cooperative agreement

Texas

- Full-time for grades 3-8
- Based on successful program completion
- Equivalent to state funding for a full-time student enrolled in a traditional classroom
- Funding penalty may apply based on student performance on the statewide student assessment exams
- Grades 9-10, generate $400 per semester course completion
- TxVSN – Quality Control

South Carolina

- Funded by the same formula applied to all charter schools in the state
- No more than 75% of a student's core academic instruction in K-12 [may occur] via an online or computer instruction program"
- Other 25% - Regular instructional opportunities in real time that are directly related to the school's curricular objectives (field trips, teacher meetings, etc.)
- Base amount of support, try to supplement it with other funds (with state of economy, not able to appropriate funds as this is not in funding formula)
- Course approved by State DOE, Proctored Assessments, frequent monitoring

Pennsylvania

- Funding level is based on student's resident district.
- Virtual charter schools must invoice the district directly, and receive about 72% of standard funding.
- State also provides funding to local district, so the district ends up receiving about 50% of the funding for the student that has transferred to a state cyber charter.

Colorado

- A minimum level of funding is set and adjusted upward based on a number of factors for brick and mortar districts, (state minimum for most students)
- Average is $6487
- Limited to 1.0 FTE per students and may be split in half but not into smaller units
- Must be certified by the CDE
- Must adhere to quality standards

Ohio Funding

- The Ohio Legislative Committee on Education Oversight found that online charter schools at that time spent $5382 per student, compared with $7452 for students in brick and mortar charter schools, and $8437 for students in traditional public schools. (2003)
- Funded at same level as face-to-face students. ($5,718 in 2011)
- Receive some additional funds via special education appropriation, ARRA, state fiscal stabilization funds, EduJobs, and other federal funds
- Community Schools are funded based on a deduct off the traditional public school (transportation, building, etc.) district PASS form (state allocated funds only). School is paid based on a per pupil subsidy plus the additional “supplements”. State average is $10,000 per pupil.
- Not eligible to receive poverty-based funding
- Required to spend a designated amount for pupil instruction or face a possible fine of up to 5% of state payments to the school (computers and software are eligible expenses)

Ohio Governance

- No teacher of record can be responsible for more than 125 students
- Must provide a minimum of 920 hours of “learning opportunities” (no more than 10 hours a day can count towards this)
- Student learning can be counted in days rather than hours
- Each student is entitled to a computer supplied by the school

Wisconsin Funding

- In 2008, the Wisconsin Legislature passed a law enabling virtual charter schools without modifying the funding which, at the time, was slightly below the national average of $6,500. Are at about $6,700 now)
- An audit by the Legislative Audit Bureau showed that overall the state's virtual charter school costs were reasonable and the funding they received were in line with their costs.
- 5,250 virtual charter student enrollment cap

Wisconsin Governance

- Teacher must complete at least 30 hours of professional development to prepare to teach online
- If a student fails to respond appropriately to teacher within 5 school days, school must notify family
- Student fails to participate 3 times in semester, may be transferred to another school
- Teachers required to be available minimum number of hours depending on grade level and must respond to students and parents within 24 hours
- Required to report to students' resident districts the students who will be attending the charter school, in June prior to the school year

Cost of Serving a "Virtual" Student Locally

Note: Average expenditure per K-12 student (08-09) $9,760.
Open enrollment tuition estimate $6,322 (FY09) per student.

	Scenario 1 (one full-time virtual student) Semester 1	Semester 2	
Course Cost (6 per semester @ $325 per 1/2 credit course	$1,950	$1,950	
LEG Support approx. 1 hr per week for 36 weeks (Average teacher salary with benefits $50,000/185 days = $270/day, $270/7 periods = $39/hr.)	$702	$702	
Computer Purchase	$800	$0	**Note: Computer may be provided if the student is full time virtual "home."**
student at IT Support (30 min/month @$39hr/ for 9 months)	$88	$88	
Internet Stipend ($20 per month for 9 months) if	$90	$90	**Note: Internet access may be provided the student is full time virtual student at "home."**
Cost per semester	$3,630	$2,830	**$6,460** **Note: $5,660 (year two - no computer purchase)**

State by State Variations

- Student-Teacher Ratio
- Blended Learning/Face-to-Face Experiences (Size and Location of Facilities)
- Technology/Internet for Students
- Support Personnel for Student Services
- Personnel Salaries
- Per-pupil Funding (Special Needs Students)

Georgia

- Recommend looking at Colorado, Ohio, and Wisconsin to create funding model in Georgia
- Next steps