



Public Schools of North Carolina
State Board of Education
Department of Public Instruction

Report to the North Carolina General Assembly

*Study of North Carolina Virtual Public School
(NCVPS) funding formula*

SL 2015-241 (HB 97), Section 8.11

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Report # 34

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**Joint Legislative Education Oversight Committee's Study of
North Carolina Virtual Public Funding Formula
HB 97 (SL 2015-241)**

Executive Summary

This study, as required by HB 97 (SL 2015-241), seeks to determine if there are alternative ways for districts to fund course enrollments in NC Virtual Public School. Staff began exploring alternative funding options because the current formula may contribute to an artificial cap for some districts that prevent all interested students from enrolling. When districts reach their projected instructional amount, they often stop enrolling students, which prevents some students from having access to needed courses. In the 2014-2015 academic year, 101 school districts used greater than 75% of their instructional projection and 85 school districts and charters used 100% or more of their instructional projection. This data underscores the need for a revised model to allow schools greater flexibility in developing alternative options to meet the learning needs of growing student populations and a globally competitive education. This report provides an overview of NCVPS and discusses alternative pathways for funding.

Overview of NCVPS

NC Virtual Public School has served students across the state since 2007. NCVPS provides options and opportunities to students that would not be possible any other way. Local secondary schools now have the power to expand their course catalogues and to provide alternative learning pathways for students regardless of where they are located in the state. During the 2014-2015 school year, all school districts and many charter schools enrolled students in courses, resulting in over 55,000 course enrollments with a pass rate of 83%. Course types include World Languages, Advanced Placement, core courses, arts credit recovery, and online health and physical education. North Carolina certified teachers instruct all courses.

Current Funding Model

NCVPS is funded by a formula established by the North Carolina General Assembly. The legislation has been modified several times since 2005. The current funding formula was established by Session Law 2011-145 (Section 7.22.(d)). Additional funding flexibility was provided in Session Law 2012-142 (Section 7.22. (k)).

The current model uses a statistical projection based on historical enrollment data for each district and charter school. The projected enrollment is multiplied by the per course fees established by the State Board of Education based on course type to determine the total instructional cost for each local school administrative unit and charter school. Each local school administrative unit and charter school funds the state level operations and administration of NCVPS and the NCVPS enrollment reserve of \$2 million. The reserve fund is designed to cover costs for districts that exceed their projected allocation. For the last several years, however, this reserve fund is exhausted by the middle of the school year.



Flat Percentage Funding Model

This proposed alternative model allows for flexibility for LEAs and charters to choose to pay a flat percentage of Average Daily Membership (ADM) funding. The flat percentage would permit for unlimited enrollment in NCVPS courses assuming there is a licensed teacher for complex subjects (e.g., licensed Japanese or Mandarin Chinese teacher). It is suggested that the exact percentage of this formula would be set by the State Board of Education to ensure that the instructional and operational costs of NC Virtual Public School will be met. Case studies of this formula applied to districts are included in this study. Most of the feedback from superintendents regarding this model was not favorable. Some agree that it could save them money. Others believe they would pay for more enrollments than they need. In addition, many concerns were expressed about the reality of unlimited enrollment because the teacher pool is not exhaustive. Details of the feedback and the process for gathering the feedback is also included in this report.

Current Formula without the Reserve Fund

This proposed alternative model would maintain the current projections model, as well as, the funding for the operational costs for NCVPS. The reserve fund would, however, be eliminated. Districts who exceed their projections would be required to pay for additional seats through another funding source. The benefits are that districts would have an accurate account of actual usage as they would be required to pay additionally for any enrollments beyond their projections. This model may, however, cap enrollment locally potentially denying some students access to courses they need. This model was presented late in the study, so it does not have the same level of feedback as the current model or the flat fee model.

Current Formula with an 85% Teacher Allocation Transfer

This proposed alternative model would maintain the current projection model for instructional costs along with the administrative and reserve costs. Currently, the cost of NCVPS enrollments is projected for each district based on historical enrollment patterns with the state allocation for teacher pay reduced by 75% of the cost of those enrollments. As mentioned previously, in 2014-2015, 101 of 115 districts currently exceed 75% of their projection and must wait until the reconciliation in February to see the full cost of NCVPS enrollments to their budget. This model would increase the initial reduction to 85% to assist districts with better fiscal control and monitoring at the beginning of the budget year. The benefit of this model is that districts will have a timelier and accurate budget initially which will assist with overall fiscal planning. The model would mean a higher reduction in teacher allotments for those few districts who do not historically exceed 75 to 85 percent. This model was presented late in the study so it does not have the same level of feedback as the current model or the flat fee model.

Current Formula Funded by the General Assembly without a Reserve Fund

This proposed alternative model would change the funding of NCVPS from the current model where each district and charter funds the instructional, administrative, and reserve costs of NCVPS. In the new model, the General Assembly would fund the instructional and administrative costs with the reserve fund being eliminated. The model would maintain the current historical projection analysis and process for instructional costs and the per pupil, 6-12 average daily membership rate for funding the administration/operation of NCVPS. The North Carolina Department of Public Instruction would inform the General Assembly of the cost to fund NCVPS by April 30 for the next fiscal year. The



benefit of this model is that districts and charters would not be charged with funding NCVPS and could reallocate these budgetary savings to improve learning outcomes for students. However, the elimination of the reserve fund would require districts who exceed their projections to use alternate funds to pay for enrollments.

Recommendation

The study recommends that the State Board of Education be granted authority to conduct a voluntary pilot for one of the alternative funding options if they desire. Based on the pilot, future implications can be made.



**North Carolina
Virtual Public School**



**Joint Legislative Education Oversight Committee's Study of
North Carolina Virtual Public Funding Formula
HB 97 (SL 2015-241)**

Overview of NCVPS

Since 2007, the North Carolina Virtual Public School (NCVPS) has served learners with high-quality online courses and expanded options in education. NCVPS is the great equalizer: it provides quality learning opportunities to every North Carolina student regardless of zip code. NCVPS is nationally recognized and the second largest state-led virtual school, second only to Florida Virtual School, with over 55,000 full-credit enrollments for the 2014-2015 academic year from all 115 NC school districts, 61 charter schools, two state residential schools, four special schools, and the non-public sector. NCVPS offers over 150 different courses as a supplement to the local high school course catalog and includes Advanced Placement (AP), Occupational Course of Study (OCS), electives, traditional, honors and credit recovery courses. All courses are taught by highly qualified, North Carolina certified teachers who provide strategies for active student engagement through a variety of technology tools.

NCVPS offers fall, spring, summer, and year-long courses as well as courses with rolling enrollment. Students enroll through their school of record. NCVPS reports grades to the school of record, which will award the course credit and the final diploma. The NCVPS courses use learning management and collaborative software to maximize student interaction in each class, and NCVPS teachers use the latest technologies to engage students as well as prepare them to be career and college ready. NCVPS has served over 321,135 total middle and high school enrollments since its initial launch in the summer of 2007.

NCVPS Videos

[What is NCVPS?: Animation Short](#)

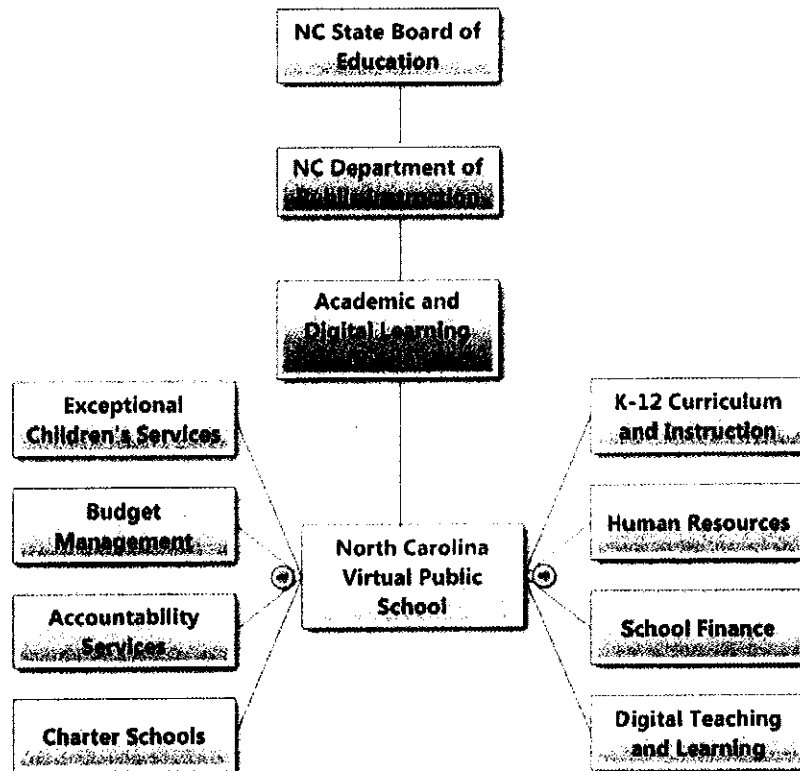
[A Day in the Life of a NCVPS Student](#)

[Teaching and Learning with NCVPS](#)



NCVPS Leadership and Collaborations

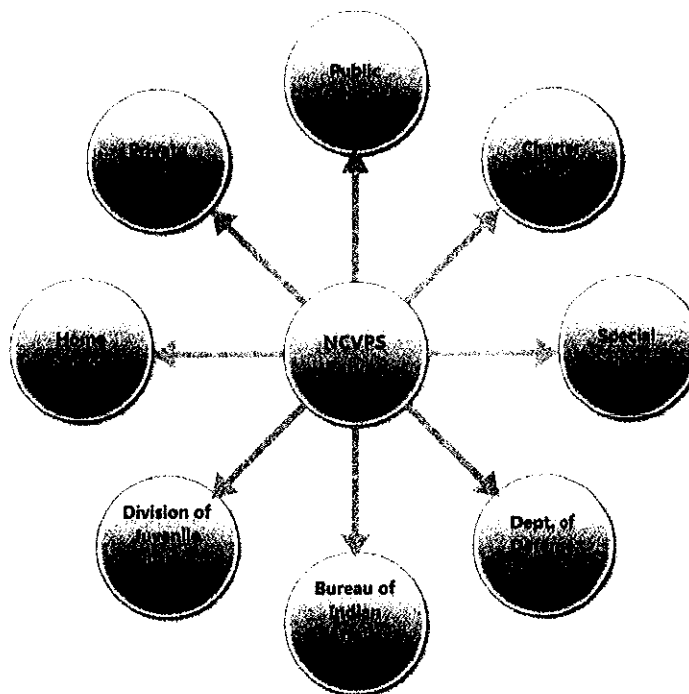
The graphic below depicts the NCVPS leadership structure along with the many divisions within the NC Department of Public Instruction that NCVPS collaborates and partners with to ensure quality online learning and efficient operations.





Types of Schools Served

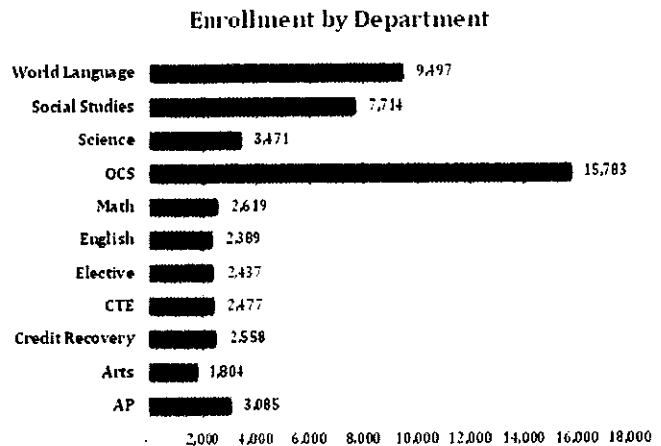
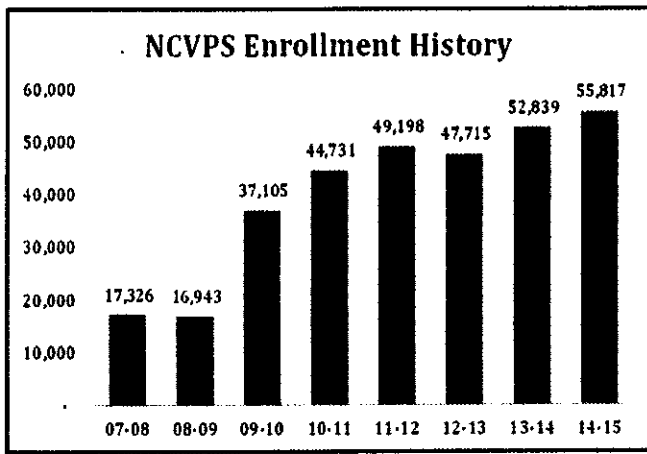
NCVPS serves a myriad of school entities within the state of North Carolina. The chart below details the school types that enroll with NCVPS.





Enrollment and Course Distribution 2014-2015

The NCVPS *Enrollment History* shows enrollment figures since the 2007-2008 fiscal year, the first year of operation. The *Enrollment by Department (2014-2015)* details the enrollment in the most popular courses. NCVPS enrollment is increasing steadily and with legislative support, the organization will have a sustainable future to continue innovative and dynamic education programming to North Carolina schools.



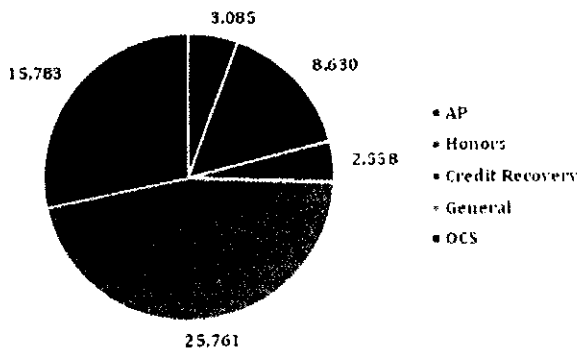


Course Breakdown and Student Performance for 2014-2015

Course Breakdown shows student enrollment by course type. This chart demonstrates that NCVPS courses are for every learner as the students enrolled in Advanced Placement and Honors are almost equal to the students enrolled in the Occupational Course of Study (OCS) program which serves students with significant learning challenges. *NCVPS Student Performance* data illustrates the average pass rate for

NCVPS for 2014-2015. *NCVPS Enrollment* show the total enrollment for the past academic year 2014-2015 including the number of unique students enrolled.

Course Enrollment by Type



NCVPS Numbers "To Know"

Pass Rate	83.1%
2014-2015 Course Enrollments	55,817
2014-2015 Unique Students Enrolled	35,966

Notable Highlights for NCVPS

1. Partner with North Carolina schools since 2007
2. Courses developed and designed by teams of North Carolina highly qualified, certified teachers
3. Courses meet the North Carolina Standard Course of Study and Advanced Placement College Board standards
4. Lessons are personalized for learners including exceptional students with Individualized Education Plans
5. Teachers connect weekly via various communication modes with each individual student
6. Award winning Occupational Course of Study program that partners NCVPS content teachers with local school exceptional children's teachers to provide individualized instruction for exceptional learners
7. National leader and model in credit recovery program with the first teacher-led credit recovery program in the nation
8. Nationally recognized teacher induction program, called the NCVPS Teacher in Training program, which features 18 weeks of unpaid training and professional development resulting in three finalists for National Online Teacher of the Year and one national winner. During the coursework, potential teachers learn NCVPS policies, procedures, expectations, how to work within a Learning Management System (LMS), NCVPS Instructional Design Principles
9. Business partnerships with learning management systems to inform programming and training for secondary online education



Current Funding Model

NCVPS is funded by a formula established by the North Carolina General Assembly. The legislation has been modified several times since 2005. The current funding formula was established by Session Law 2011-145 (Section 7.22.(d)). Additional funding flexibility was provided in Session Law 2012-142 (Section 7.22. (k)).

The Department of Public Instruction's Financial and Business Services staff determines funding for enrollments by each school district or charter school using a statistical projection based on historical enrollment data. This projection is finalized and shared with school districts and charter schools around the beginning of June each year. The projected enrollment is multiplied by the per course fees established by the State Board of Education based on course type to determine the total instructional cost for each local school administrative unit and charter school. Each local school administrative unit and charter school funds the state level operations and administration of NCVPS and the NCVPS enrollment reserve of \$2 million. The administrative costs of NCVPS are funded at a rate of \$4.01 per 6-12 average daily membership (ADM), and the NCVPS reserve is funded at a rate of \$0.35 per 6-12 average daily membership (ADM). An amount equal to the LEA/charter's administrative costs + reserve costs + 75% of the total instructional cost based on the projection model is transferred to NCVPS from each local school administrative unit/charter school's classroom teacher allotment at the beginning of the year. By February 28th of each year, the actual instructional costs are calculated for each local administrative unit and charter school based on actual NCVPS enrollments as of that date. Local administrative units and charter schools with actual instructional costs lower than the 75% reduction are refunded the difference. Local administrative units and charter schools with actual instructional costs higher than the 75% reduction must transfer the difference up to 100% of the projected costs. The NCVPS enrollment reserve is used to cover the NCVPS instructional costs of local school administrative units or charter schools with enrollments exceeding projected NCVPS enrollment.

During the February, 2016 meeting, the NCVPS Advisory Council made a recommendation to keep the current funding model and not make any changes.

Rationale for Alternative Funding Formula Options

The goal of alternative funding options is to provide school districts and charters with increased funding flexibility to optimize their virtual learning needs. In the 2014-2015 academic year, 101 school districts used greater than 75% of their instructional projection and 85 school districts and charters used 100% or more of their instructional projection. This data underscores the need for a revised model to allow schools greater flexibility in developing alternative options to meet the learning needs of growing student populations and a globally competitive education.

Flat Fee Funding Formula

The proposed flat fee alternative model allows for flexibility for LEAs and charters to choose to pay a flat percentage of Average Daily Membership (ADM) funding. The flat percentage would permit for unlimited enrollment in NCVPS courses assuming there is a licensed teacher for complex subjects (e.g., licensed Japanese or Mandarin Chinese teacher). It is suggested to allow the State Board of Education to set the



flat percentage of ADM as this is consistent with the current legislation that allows the State Board to set the per course cost. The percentage would be adjusted as needed to ensure that adequate funding is secured for instructional and operational requirements of NCVPS. It is suggested to allow the State Board

of Education to use any funds appropriated to the State Public School Fund to cover any shortages created by the alternate funding model in the current year in advance of the rates being adjusted upward in the subsequent year.

Case Studies

Below are snapshots of the impact of a flat percentage of ADM funding model on select large, medium, and small districts. *Note:* Flat ADM Model figures were calculated using 2% of 6-12 ADM for example purposes. The exact percentage has not been determined.

1. Large District--Charlotte-Mecklenburg Schools

6-12 ADM 2014-2015	73,569
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NCVPS Enrollments 2014-2015	6,947
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Current Model (instructional, admin, and reserve)

2012-2013	\$3,006,498
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2013-2014	\$2,257,639
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2014-2015	\$2,497,820 <i>(2014-2015 cost reflects the projected instructional cost and not the final cost)</i>
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Flat ADM Funding Model (Proposed @ 2%)

2014-2015	\$3,594,581
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Difference: +\$1,096,761

Flat ADM Funding Model is an additional \$1,096,761 in cost to the district



2. Medium District--Alamance Burlington Schools

6-12 ADM 2014-2015 12,301

NCVPS Enrollments 2014-2015 1,456

Current Model (instructional, admin, and reserve)

2012-2013 \$583,823

2013-2014 \$621,475

2014-2015 \$755,724 (2014-2015 cost reflects the projected instructional cost and not the final cost)

Flat ADM Funding Model (Proposed @ 2%)

2014-2015 \$601,027

Difference: \$-154,697

Flat ADM Funding Model is a cost savings of \$154,697 to the district

3. Small District--Hyde County Schools

6-12 ADM 2014-2015 320

NCVPS Enrollments 2014-2015 101

Current Model (instructional, admin, and reserve)

2012-2013 \$35,722

2013-2014 \$24,147

2014-2015 \$18,863 (2014-2015 cost reflects the projected instructional cost and not the final cost)

Flat ADM Funding Model (Proposed @ 2%)

2014-2015 \$15,635

Difference: -\$3,228

Flat ADM Funding Model is cost savings of \$3,228 to the district



Feedback from the Field

NCVPS staff collected feedback from stakeholders in the field on the flat fee alternative funding model. Staff attended RESA Superintendent Councils and talked with members of the NCVPS Advisory Board. The feedback is summarized below.

Feedback from Superintendents

NCVPS staff met with three different superintendent councils as coordinated with the RESAs. These councils represent the superintendents in regions 8, 7, and 5. In addition, NCVPS held a phone conference with the superintendent or representative from Wake, Johnson, Greene, and Alamance-Burlington. Most were opposed to replacing the current funding model with a new formula. The common theme is the current formula allows districts to pay for what they use. The ability to choose how individual districts will pay for NCVPS course enrollments is a high priority with the superintendents interviewed. A few expressed interest in the flat fee formula as an option if it saved the district money. A summary of their feedback on the flat fee funding model is provided below.

Benefits of a flat fee funding model	Concerns about a flat fee funding model
Some districts would save money	Flat fee formula will inhibit creativity and flexibility that districts have in funding virtual options for students
Allows districts more creative ways to serve students without having to worry about exceeding projections	Most districts would pay more money and would not use all the enrollments they were allotted; hence they would pay for something they are not using
More course options could be available to students	Districts will use all the enrollments they pay for; hence some students will be in online courses against their will
	Larger districts could exhaust the NCVPS teaching pool leaving no options for smaller districts
	NCVPS will eventually run out of teachers. Unlimited enrollment is not possible.
	The additional costs for a flat fee formula will cripple the smaller districts.
	Flat fee model does not allow the districts to have options in how they pay for NCVPS enrollments.
	I do not find anything positive with changing the funding model.



Feedback from the NCVPS Advisory Board

The NCVPS Advisory Board is comprised of thirty members who represent all eight State Board of Education regions as well as all levels of education from the Superintendent to teachers; members from the business community; and two members of the General Assembly. Many of the members are concerned that providing too many funding options for NCVPS will prevent NCVPS from generating adequate funding for operations. The feedback from the Advisory Board is summarized below.

Benefits of a flat fee funding model	Concerns about a flat fee funding model
Flat fee formula will provide NCVPS with a predictable budget	Will NCVPS be able to sustain unlimited enrollment?
Some districts will save money. Those who would pay more will not use this model. Having it as an option is a bonus.	If districts choose the cheapest funding model, NCVPS may not have adequate funding to operate; thus eliminating unlimited enrollment.
Unlimited enrollment would encourage some districts to enroll more students.	The impact on NCVPS could be very negative if districts are forced to pay for enrollments they will not use.
	NCVPS will not be able to meet the demand of unlimited enrollment for all districts.
	Unlimited enrollment is not possible. The teacher pool will dry up.

Current Formula without the Reserve Fund

This proposed alternative model would maintain the current projections model, as well as, the funding for the operational costs for NCVPS. The reserve fund would, however, be eliminated. Districts who exceed their projections would be required to pay for additional seats through another funding source. Removing the reserve fund is an idea that was suggested for consideration during the feedback sessions.

Benefits-

- Districts would have a more accurate account of actual usage as they would be required to pay for any enrollments beyond their projections.
- Districts would have flexibility in determining the funding source(s) for enrollments incurred beyond their projections.
- Districts would save an additional \$0.35 per 6-12 ADM as that money would not be pulled at the beginning of each fiscal year.

Challenges-

- Districts may limit enrollment locally potentially denying some students access to courses they need.



- Removing the reserve could reinforce the artificial cap concept that many districts use for virtual learning planning rather than discouraging it.
- Districts have had the option of using alternative funds (local funds, federal funds, special state reserve for children and youth with disabilities, and ADM contingency reserve) to pay for NCVPS enrollments since 2012. To date, less than 6 districts have elected to use alternative funds for NCVPS enrollments. With limited to no alternative funds and no reserve available, districts may be forced to choose between providing access to higher level courses (i.e., Advanced Placement, Honors, foreign languages) or access to highly qualified content teachers for exceptional children (i.e., Occupational Course of Study courses).

Current Formula with an 85% Teacher Allocation Transfer

This proposed alternative model would maintain the current projection model for instructional costs along with the administrative and reserve costs. Presently, the cost of NCVPS enrollments is projected for each district based on historical enrollment patterns with the state allocation for teacher pay reduced by 75% of the cost of those enrollments. As mentioned previously, in 2014-2015, 101 of 115 districts exceeded 75% of their projection and must wait until the reconciliation in February to see the full cost of NCVPS enrollments to their budget. This model would increase the reduction to 85% to assist districts with better fiscal control and monitoring at the beginning of the budget year.

Benefits-

- Districts will have a more accurate budget initially which will assist with overall fiscal planning.
- Districts will not need to request adjustments to their projections with an increase in the percentage.
- The February sure-up will result in fewer districts having additional funding taken and directed to NCVPS.

Challenges-

- Districts who do not use more than 85% of their projection would have a higher reduction in teacher allotment with a funding reconciliation occurring in February.

Current Formula Funded by the General Assembly without a Reserve Fund

This proposed alternative model would change the funding of NCVPS from the current model where each district and charter funds the instructional, administrative, and reserve costs of NCVPS. In the new model, General Assembly would fund the instructional and administrative costs with the reserve fund being eliminated. The model would maintain the current historical projection analysis and process for instructional costs and the per pupil, 6-12 average daily membership rate for funding the administration/operation of NCVPS. The North Carolina Department of Public Instruction would inform the General Assembly of the cost to fund NCVPS by April 30 for the next fiscal year.



Benefits-

- Districts and charters would not be charged with funding NCVPS. This budgetary savings can be reallocated to improve learning outcomes for students based on student needs.
- Every student needing or wanting an online course would be able to take one as local funding would not be an option.

Challenges-

- The elimination of the reserve fund would require districts who exceed their projections to use alternate funds to pay for enrollments.
- Removing the reserve could reinforce the artificial cap concept that many districts use for virtual learning planning rather than discouraging it.

Recommendation

The study recommends that the State Board of Education be granted authority to conduct a voluntary pilot for one of the alternative funding options if they desire. Based on the pilot, future implications can be made.