



# **SCHOOL DISTRICT PERFORMANCE AUDIT REPORT**

**K-12 Education:  
Reviewing Issues Related to Virtual Schools**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
April 2007**

# ***Legislative Post Audit Committee***

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## ***Legislative Division of Post Audit***

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April 17, 2007

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This report contains the findings, conclusions, and recommendations from our completed performance audit, *K-12 Education: Reviewing Issues Related to Virtual Schools (school audit)*.

This report also contains appendices including a complete list of the enrollments for each Kansas virtual school from 1998-99 to 2006-07 and a summary of 22 states' on-line state policies and practices.

The report includes several recommendations for the Department of Education, a recommendation for the Legislative Post Audit Committee to request an interim study, as well as a recommendation for the Mullinville school district. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials.

Barbara J. Hinton  
Legislative Post Auditor

## Get the Big Picture

Read these Sections and Features:

1. **Executive Summary** - an overview of the questions we asked and the answers we found.
2. **Conclusion and Recommendations** - are referenced in the Executive Summary and appear in a box after each question in the report.
3. **Agency Response** - also referenced in the Executive Summary and is the last Appendix.

### *Helpful Tools for Getting to the Detail* 🔍

- In most cases, an “**At a Glance**” description of the agency or department appears within the first few pages of the main report.
- **Side Headings** point out key issues and findings.
- **Charts/Tables** may be found throughout the report, and help provide a picture of what we found.
- **Narrative text boxes** can highlight interesting information, or provide detailed examples of problems we found.
- **Appendices** may include additional supporting documentation, along with the audit **Scope Statement** and **Agency Response(s)**.

**EXECUTIVE SUMMARY**  
LEGISLATIVE DIVISION OF POST AUDIT

**Question 1: How Prevalent Are Virtual Schools in Kansas,  
What Do They Cost, And How Have Their Students Performed?**

**Kansas currently has 28 virtual schools that provide a variety of educational services.** ..... page 3  
*In 2006-07, 26 school districts and service centers operated 28 virtual schools across the State. The most common subjects taken by virtual students included language arts, social sciences, and math.*

**In Kansas, virtual students are a very small but rapidly growing student population.** ..... page 6  
*Since the first virtual school opened in the 1998-99 school year, virtual school enrollment has increased from about 60 full-time-equivalent (FTE) students to more than 2,000. Even so, virtual students still represent only about 1% of Kansas' total student population.*

*Virtual schools attract many students who previously weren't part of the public school system, including non-traditional and home-schooled students. Eight of 12 school districts with virtual schools draw most of their students locally, while other virtual schools draw students from all over the State. In addition, virtual school enrollment represents a significant share of the overall enrollment for four of the six schools districts that had the largest virtual student population. For example, virtual students in Mullinville represented almost 60% of the district's total enrollment, while virtual students in the Elkhart, Cherryvale, and Basehor-Linwood school districts represented about 20% of these districts' total enrollments.*

**Virtual schools are funded in much the same way as traditional schools, but cost less to operate.** ..... page 10  
*Based on expenditures reported to us by the nine school districts with at least 20 virtual FTE students, virtual schools cost less to operate than traditional schools. Their operating expenditures were between \$300 and \$5,000 per student lower than costs for traditional students in 2005-06. Service centers that run virtual schools generally charged school districts an amount equal to Base State Aid Per Pupil for each virtual student in 2005-06.*

**Although the data are limited, virtual students scored lower on State assessments than traditional students in 2005-06.** ..... page 12  
*Virtual students scored lower on State assessment tests at the elementary and high school levels – especially on the math assessments. However, the assessment data for virtual students are limited, and the demographics of the two student populations may not be comparable.*

**Question 1 Conclusion** ..... page 14

## **Question 2: Do the Laws and Regulations that Govern Virtual Schools in Kansas Provide Sufficient Oversight, and How Do They Compare To Those Adopted by Other States?**

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**The Department has developed good policies for general oversight of virtual schools, but often doesn't follow them.** .....page 15  
*The Department has established comprehensive policies and procedures to provide general oversight of virtual schools. These include policies on funding, teaching and curriculum standards, accountability for student achievement, equity and access, and annual reporting requirements. In 2005-06, these policies and procedures were recognized as some of the strongest in the country.*

*However, Kansas' actual oversight of virtual schools is weak because the Department often hasn't carried out the policies it has established. For example, the Department had lost track of which virtual schools were registered, more than 60% of the registration forms for the current school year were missing, and the Department hadn't conducted many of the on-site visits as outlined in its process.*

**Many of the specific risks inherent in operating virtual schools aren't adequately addressed, especially at the State level.** .....page 18  
*There are unique risks with virtual schools that don't exist with traditional schools because virtual students work from their homes, on their own schedules, and without direct supervision from teachers.*

*For the 2006-07 school year, the Department relaxed or eliminated several requirements in the areas of student testing and attendance, as well as teacher training and response times, which used to provide good guidance to virtual schools. For example, the Department used to require virtual schools to show how they ensured students were regularly engaged in the program, a requirement that was eliminated for 2006-07. Also, the Department hasn't directly addressed the risk that districts could manipulate virtual schools for financial gain.*

**Mullinville's practice of "giving" its virtual students to nearby districts isn't allowed by law, and highlights the need for better oversight of virtual schools.** .....page 22  
*Most students enrolled in the Mullinville virtual school should have been counted for funding purposes in that district, because that's where they attended. However, over the last five years the Mullinville school district has "given" 130 of its virtual students to three nearby districts to count as their students for funding purposes—Comanche County, Haviland, and Pawnee Heights.*

*The three receiving districts got all the State aid those students generated, and kept what was left after paying a fee to the service center that runs the virtual school for Mullinville.*

*The Mullinville Superintendent cited a number of reasons for giving students to other districts, including trying to help these districts financially. From what we can tell, it didn't appear to be intended to financially benefit either the Superintendent or the Mullinville district. Even so, allowing districts to decide where virtual students are counted creates the risk that districts could manipulate State funding (by shifting students to generate the most funding) or State assessment results.*

<b>Question 2 Conclusion</b>	.....	page 30
<b>Recommendations</b>	.....	page 30
<b>APPENDIX A: Scope Statement</b>	.....	page 34
<b>APPENDIX B: History of the Number of Virtual Schools and their FTE Student Enrollment</b>	.....	page 35
<b>APPENDIX C: Summary of State Policies on Virtual Schools</b>	.....	page 37
<b>APPENDIX D: Department of Education and School Districts' Responses</b>	.....	page 42

This audit was conducted by Katrin Osterhaus, Brenda Heafey, Dan Bryan, and Heidi Zimmerman. Scott Frank was the audit manager. If you need any additional information about the audit's findings, please contact Katrin at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or contact us via the Internet at [LPA@lpa.state.ks.us](mailto:LPA@lpa.state.ks.us).



## **K-12 Education: Reviewing Issues Related to Virtual Schools**

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Virtual schooling is one of the fastest growing trends in education. Virtual schools allow students to take K-12 courses over the Internet, without physically being present in a classroom. Such schools offer flexibility to students to enroll in hard-to-find courses or complete courses on their own time schedule. According to the Kansas Department of Education, the State had 28 schools or programs that offered virtual coursework for K-12 students in 2006-07.

Recently, some legislators have expressed concerns about the prevalence of virtual schools and the State's oversight over such schools.

This school district performance audit answered the following questions:

- 1. How prevalent are virtual schools in Kansas, what do they cost, and how have their students performed?**
- 2. Do the laws and regulations that govern virtual schools in Kansas provide sufficient oversight, and how do they compare to those adopted by other states?**

To answer the first question, we gathered enrollment, expenditure, and student assessment data from virtual school programs and compared those data with similar Statewide data we received from the Department of Education. We also analyzed how far students lived from their virtual schools for a sample of larger virtual schools, and how significant virtual enrollment was to the overall enrollment of a sample of districts.

For the second question, we reviewed Kansas' laws, regulations, and policies for oversight of virtual schools. We also reviewed a report that provided information on the policies and practices related to on-line learning across all 50 states to determine how Kansas' policies compared to other states.

In addition, we talked to experts and education officials from Kansas and other states to identify specific risks inherent to virtual education. We then interviewed officials and reviewed existing State- and local-level policies to determine whether those policies appeared to be adequate to prevent or reduce the identified risks.

A copy of the scope statement approved for this audit is included in *Appendix A*.

In conducting this audit, we followed all applicable government auditing standards set forth by the U.S. Government Accountability Office, except, because of time constraints, we didn't verify the student count and assessment data or expenditure information the virtual schools reported to us. While the Department started collecting some of the data in 2004-05, the data aren't complete or consistent, so we asked districts to compile those data for us.

The reader should be aware that the virtual student count data we received may not be completely accurate. Specifically, we noted that some virtual schools couldn't provide us with a complete set of student data we requested (e.g. the Greenbush service center couldn't provide headcount information, the Galena virtual school couldn't provide all years of data, and couldn't break out student counts by grade).

In some cases the student counts virtual schools reported was off from other sets of data they provided to us. These inconsistencies were minor, typically involving one or two students.

As a result, the information presented in this report about the number of virtual students, assessment outcomes, and virtual program costs and fees should be viewed as an indicator, and not as absolute fact. It is unlikely, however, that it is so grossly or systematically inaccurate as to affect our major findings and conclusions.

We also didn't test Statewide data on the student counts, assessment, funding, and expenditure information we obtained from the Department, but we felt the data were reliable for the purposes of this audit based on our previous work in testing and using those data for our January 2006 education cost study analysis, *Elementary and Secondary Education in Kansas: Estimating the Costs of K-12 Education Using Two Approaches*.

Our findings begin on the next page.

## Question 1: How Prevalent Are Virtual Schools in Kansas, What Do They Cost, And How Have Their Students Performed?

**ANSWER IN BRIEF:** *Kansas currently has 28 virtual schools providing a variety of educational services to K-12 students, including adults working towards a high school diploma. In Kansas, virtual students are a very small but rapidly growing population, currently representing about 2,000 students, or about 1% of Kansas' total student population. Virtual schools are funded the same way as traditional schools, but cost less to operate. Although the data are limited, virtual students scored lower on 2005-06 State assessment tests than traditional students. These and related findings are discussed in the sections that follow.*

### ***Kansas Currently Has 28 Virtual Schools Providing A Variety of Educational Services***

The term “virtual education” is often used interchangeably to describe anything from distance learning—where students receive real-time instruction through interactive television—to coursework students can complete via the Internet at their own pace.

In Kansas, the statutory definition for a virtual school has the following two components:

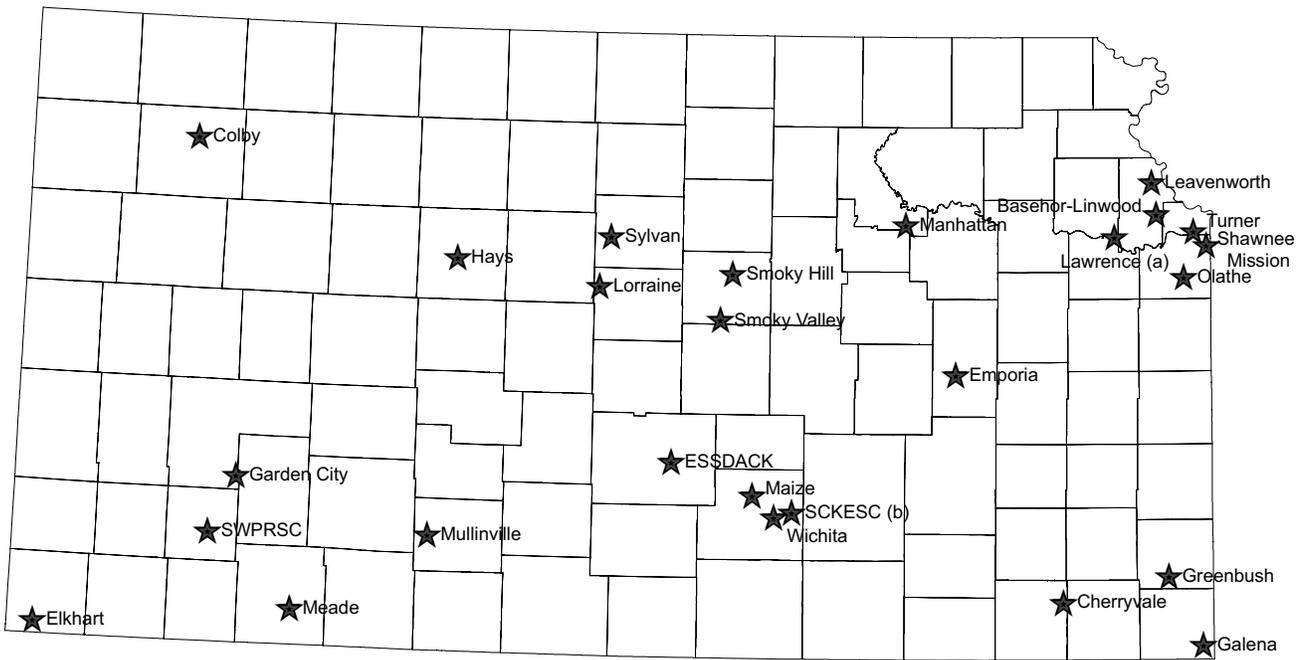
- K-12 courses are offered through distance-learning technologies, mainly using Internet-based instruction methods
- Teachers and students are separated by time and location (courses are available on an “anytime, anyplace” basis)

Any of Kansas’ 296 school districts can offer virtual education. To do so, they typically register with the State as either running a “virtual program” within one of their existing schools, or as a “charter school”—a new school approved by the local school board that must be accredited separately by the State. Districts also have the option of contracting with several service centers that provide virtual education across the State. For the remainder of the report, we’ll refer to all three types as “virtual schools.”

**In 2006-07, 26 school districts and service centers operated 28 virtual schools throughout the State.** The first virtual school in Kansas was established by the Basehor-Linwood school district in 1998-99. Since then, the number of virtual schools has grown to 28. A map showing the location of these 28 virtual schools is shown in *Figure 1-1*.

Virtual schools can design their coursework to tailor to elementary, middle, or high-school students, or a combination of all three. In addition, virtual schools can provide several types of services, as follows:

**Figure 1-1  
Virtual Schools in Kansas  
2006-07**



(a) The Lawrence school district operates two virtual schools (K-8; 9-12).

(b) South Central Kansas Education Service Center (SCKESC) operates two virtual schools (3-12; 9-12).

Source: Kansas Department of Education

- **General Education**—regular curriculum courses for students who attend a virtual school instead of a regular brick-and-mortar school, or who want to supplement what’s available through their regular school.
- **Advanced Courses**—for students who attend a regular brick-and-mortar school but want to take advanced courses that their school doesn’t offer (e.g., college prep physics, calculus).
- **Credit Recovery**—for students who are in school and want to make up a class they’ve failed.
- **Diploma Completion**—for students who’ve dropped out of school but want to complete required courses at their own pace and obtain a high school diploma.

*Figure 1-2* summarizes the services available from the State’s 28 virtual schools in 2006-07, as reported to the Department of Education by the various schools.

As the figure shows, the Basehor-Linwood Virtual School was the first to enroll virtual students in 1998-99, and is the second-largest provider of virtual education, serving 345 full-time-equivalent students in the current school year.

**Figure 1-2  
Overview of 28 Virtual Schools in Kansas  
2006-07 School Year**

Name of Virtual School Name (USD or Service Center Number)	First Year w. Enrollment	2006-07 Enrollment (FTE)	Grade Levels Served	Services Offered			Diploma Completion
				General Education	Advanced Courses	Credit Recovery	
<b>VIRTUAL SCHOOLS</b>							
202 - Turner/Kansas City (Turner Virtual Learning Center)	2006-07	30.0	9-12	X	X	X	X
253 - Emporia (Turning Point Learning Center)	2005-06	38.5	K-8	X			
315 - Colby (Thomas County Academy Virtual School)	2006-07	2.0	K-12	X			X
400 - Smoky Valley (Smoky Valley Virtual Charter School)	2005-06	28.4	7-12	X			
424 - Mullinville (21st Century Charter School Learning Academy)	2001-02	122.1	K-12	X		X	X
497 - Lawrence (Lawrence Virtual Charter School)	2005-06	510.1	K-8	X			
499 - Galena (Cornerstone Virtual School)	2000-01	11.0	9-12	X		X	
<b>VIRTUAL PROGRAMS</b>							
218 - Elkhart (Elkhart Cyber School)	2001-02	121.7	K-12	X		X	
226 - Meade (Academy for Academic Success)	2006-07	2.1	K-12	X		X	X
233 - Olathe (E Academy)	2003-04	0.9	9-12	X			
259 - Wichita (Wichita eSchool)	2001-02	212.0	K-12	X			
266 - Maize (Maize Online)	2006-07	1.0	9-12	X	X	X	
299 - Sylvan (Sylvan Unified Virtual School)	2006-07	9.5	K-12	X	X	X	X
328 - Lorraine (Lakeside Learning Center)	2005-06	70.0	K-12	X	X	X	
383 - Manhattan-Ogden (ORACLE Virtual Learning)	2005-06	11.4	7-12	X		X	
447 - Cherryvale (Cherryvale Diploma Center)	2003-04	127.2	5-12	X		X	
453 - Leavenworth (Leavenworth Virtual School)	2006-07	58.7	K-12	X	X	X	X
457 - Garden City (Networking Technologies)	2001-02	0.0	9-12	X	X		
458 - Basehor-Linwood (Basehor-Linwood Virtual School)	1998-99	345.0	K-12	X			
489 - Hays (Learning Center of Ellis County Virtual Program)	2005-06	6.8	9-12	X		X	
497 - Lawrence (Lawrence Virtual Secondary Program)	2005-06	75.8	9-12	X	X	X	
512 - Shawnee Mission (Shawnee Mission e-School)	2002-03	20.2	K-8	X			
<b>SERVICE CENTERS</b>							
609 - Greenbush Service Center (Virtual Greenbush)	2001-02	28.8	9-12	X	X	X	
622 - Education Services and Staff Development Association of Central Kansas (ESSDACK Learning Centers Virtual Program)	2005-06	54.5	9-12	X		X	
626 - Southwest Plains Regional Service Center (Community Learning Centers)	2003-04	51.0	9-12	X	X	X	
628 - South Central Kansas Education Service Center (Diploma Completion Program for SCKESC)	2005-06	49.7	9-12			X	
628 - South Central Kansas Education Service Center (@HomeRoom Virtual Classroom)	2005-06	63.8	3-12	X			
629 - Smoky Hill/Central Kansas Education Service Center (Smoky Hill Education Service Center)	2006-07	4.0	K-12	X	X	X	X

Source: Kansas Department of Education and analysis of self-reported enrollment data from virtual schools.

**Subject areas with the highest enrollment counts included language arts, social sciences, and math.** To find out what types of classes students most frequently take, we analyzed course information from virtual schools for students enrolled in the current school year. *Figure 1-3* summarizes this information.

As the figure shows, language arts, social science, and math are the subjects virtual students most often enroll in.

**Figure 1-3**  
**Summary of the Number of Students Enrolled in Virtual Courses,**  
**By Grade Level**  
**2006-07 School Year**

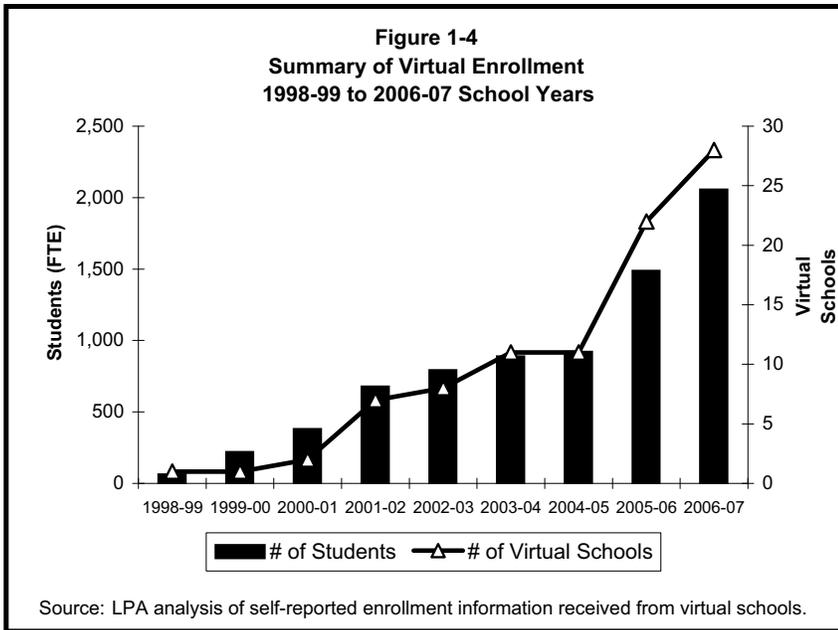
Subject Area (Examples of Courses)	School Level			All Grades (# and %)	
	Elementary	Middle	High		
<b>Language Arts</b> <i>English, Reading, Writing, Grammar</i>	826	434	1,431	2,691	22%
<b>Social Science</b> <i>World History, Sociology</i>	713	362	1,386	2,461	20%
<b>Math</b> <i>General Math, Algebra, Geometry</i>	704	340	933	1,977	16%
<b>Science</b> <i>General Science, Physics, Biology</i>	609	367	904	1,880	15%
<b>Fine Arts</b> <i>Music Appreciation, Intro to Art</i>	804	390	251	1,445	12%
<b>Health</b> <i>Fitness, Physical Education, Nutrition</i>	82	119	482	683	6%
<b>Computer Technology</b> <i>Intro to Internet, Web Design</i>	92	63	369	524	4%
<b>Foreign Language</b> <i>Spanish, French, German</i>	0	2	225	227	2%
<b>Other</b> <i>Drivers' Ed, SAT Preparation, Career Planning</i>	10	19	470	499	4%
<b>TOTAL NUMBER OF STUDENTS</b>	<b>3,840</b>	<b>2,096</b>	<b>6,451</b>	<b>12,387 (a)</b>	<b>100%</b>

(a) While there are 2,400 virtual students (headcounts, not FTE) in the State, this table counts students multiple times, depending on the number of courses they take.  
Source: LPA analysis of self-reported course information received from virtual schools.

***In Kansas, Virtual Students Are a Very Small but Rapidly Growing Student Population***

We surveyed Kansas’ virtual schools to determine how many students had been enrolled since 1998-99. Such data currently aren’t available at the Department of Education, which is explained further in Question 2.

**Since the 1998-99 school year, enrollment in virtual schools has increased from about 60 full-time-equivalent students (FTE) to more than 2,000 in 2006-07.** Virtual FTE student enrollment has grown exponentially—rising about 200% since it began to take off in 2001-02—yet still represents less than 1% of the current year’s total K-12 enrollment of 440,000. *Figure 1-4* shows the growth in virtual enrollment and in the number of virtual schools since the 1998-99 school year.



As *Figure 1-4* shows, the number of students and schools has doubled in the last two years alone. *Appendix B* includes a complete list of virtual FTE student enrollment by district over time.

**Virtual schools attract several student populations who previously weren't part of the public school system.** According to virtual school officials we talked to, virtual education is becoming more attractive to students and their families for a variety of reasons, such as the availability

of additional courses, the option of going to school in a different environment, and the flexibility to work at one's own pace. As a result, virtual schools have attracted several groups of students into the public school system:

- **Non-traditional students**—These are students who dropped out of school but have returned to earn a high school diploma. In 2006-07, non-traditional students made up almost 19% of the virtual student population, compared to 1% within Kansas' overall student population.
- **Home-schooled students**—Parents of many home-schooled students have found virtual schools to be a positive alternative to teaching their kids on their own. As one parent of a home-schooled student was quoted in a recent newspaper article, "It's not because we think public schools aren't doing a good job, but certain education systems are better for (some) kids."
- **Private-school students**—Some parents who previously enrolled their children in private schools in order to protect the families' beliefs have found that virtual education provides the public school benefit (a high-school diploma), while allowing them to continue to foster their families' values without unwanted outside influences.

**Most virtual schools draw their students locally, but a few draw students from all over the State.** We analyzed information for 17 virtual schools with an enrollment of more than 20 students to see how far students lived from the virtual school. For the 2006-07 school year, we mapped these students' home addresses and determined how many lived within and beyond 30 miles of their virtual school. *Figure 1-5* shows our results, by school district or service center.

**Figure 1-5  
Distances Between Virtual Students' Residences and Their Virtual Schools  
2006-07 School Year**

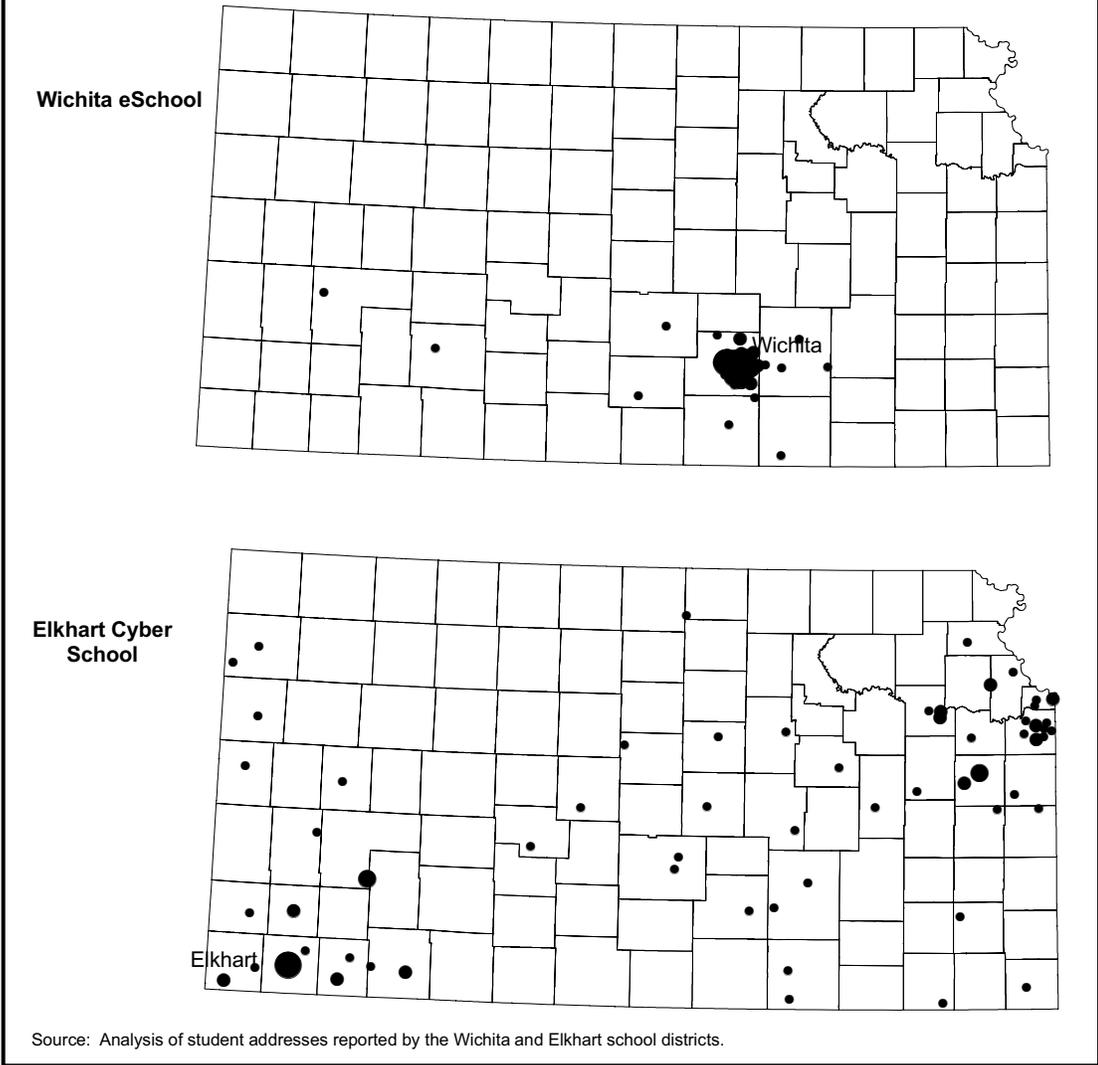
District or Service Center	Total # of Virtual Students (Headcount)	Students who live within 30 miles of school		Students who live more than 30 miles from school	
		#	% of total	#	% of total
<b>School Districts</b>					
259 - Wichita	215	207	96%	8	4%
512 - Shawnee Mission	22	21	95%	1	5%
453 - Leavenworth	72	67	93%	5	7%
447 - Cherryvale	137	124	91%	13	9%
202 - Turner	30	25	83%	5	17%
458 - Basehor-Linwood	348	283	81%	65	19%
328 - Lorraine	71	54	76%	17	24%
400 - Smoky Valley	62	46	74%	16	26%
497 - Lawrence (a)	643	363	56%	280	44%
253 - Emporia	40	22	55%	18	45%
424 - Mullinville	182	40	22%	142	78%
218 - Elkhart	147	5	3%	142	97%
<b>Service Centers</b>					
626 - SWPRSC	78	35	45%	43	55%
628 - SCKESC (b)	118	39	33%	79	67%
622 - ESSDACK	60	16	27%	44	73%
<b>Total</b>	<b>2,225</b>	<b>1,347</b>	<b>61%</b>	<b>878</b>	<b>39%</b>
(a) The Lawrence school district operates two virtual schools (K-8; 9-12). (b) SCKESC operates two virtual schools (3-12; 9-12). Source: LPA geographical analysis of self-reported student information provided by 17 larger virtual schools.					

As the figure shows, in eight of the 12 school districts we reviewed, at least 70% of their virtual students live within 30 miles of the school. At the other side of the spectrum, two districts draw most of their students from across the State—Elkhart with 97% and Mullinville with 78%—as do the three service centers we reviewed. *Figure 1-6* shows this information graphically for the virtual school students in the Wichita and Elkhart school districts.

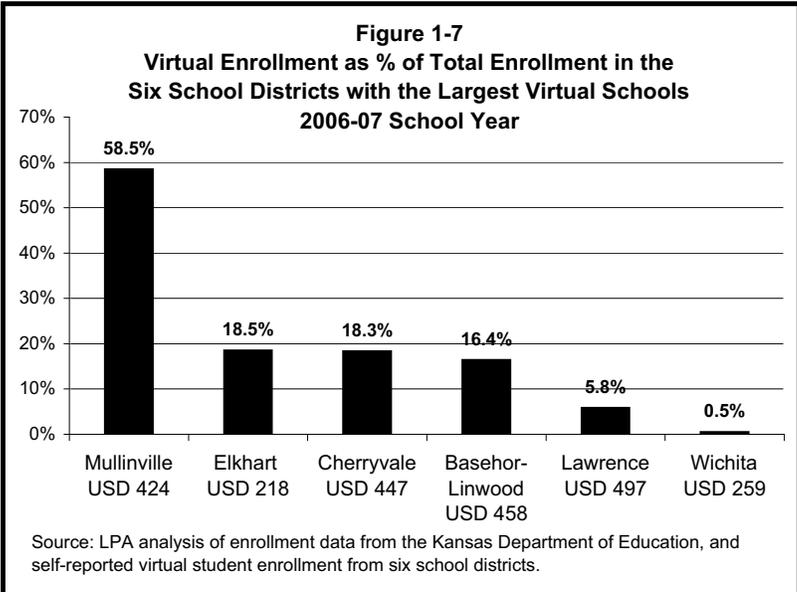
**Virtual school enrollment represents a significant share of the overall enrollment for several school districts.** In four of the six districts with the largest virtual schools, virtual students make up a significant portion of their total student population in the current school year. This information is shown in *Figure 1-7*.

As the figure shows, the Mullinville school district has more virtual students than traditional students. As one of the smallest school districts in the State—with an overall enrollment of 150 FTE students—it would be difficult for the school district to survive without its virtual school.

**Figure 1-6**  
**Virtual Student Location Compared to Their Virtual School**  
**2006-07 School Year**



**Figure 1-7**  
**Virtual Enrollment as % of Total Enrollment in the**  
**Six School Districts with the Largest Virtual Schools**  
**2006-07 School Year**



*Figure 1-7* also shows that virtual students in the Lawrence school district represent only 6% of that district's total enrollment of a little over 10,000 FTE students, but its virtual student population accounts for essentially all the Lawrence school district's growth since 2005-06.

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***Virtual Schools Are Funded Much the Same Way as Traditional Schools, But Cost Less To Operate***

School districts that operated a virtual school during the 2005-06 school year reported their virtual school operating expenditures to us for that year. We compared those expenditures for all schools in these school districts, and to the amount of State funding the districts received that year.

**Kansas funds virtual schools basically the same way traditional schools are funded, with some exceptions.** Kansas distributes funding to school districts for K-12 students based on the number of FTE students enrolled in the district as of September 20 each year. This school year, the Base State Aid Per Pupil (BSAPP) is \$4,316. School districts also receive additional State funding based on other cost factors, such as the district's size and the number of its low-income students.

The State funds virtual students basically the same way traditional students are funded, with three exceptions:

- **Kansas statutes don't allow districts to receive State aid for virtual students who live outside the State.** Because virtual schools conceivably could draw students from all over the country, this policy limits the State's funding obligation just to in-State virtual students.
- **Virtual schools must "register" with the Department of Education to get funding for their students.** This registration process is explained in more detail in Question 2.
- **The Department requires additional documentation for virtual students.** To get funding for traditional students, districts must show that the student was enrolled, and document that they attended **once** on or around September 20th. For virtual students, districts must show that the student attended **twice**. This documentation includes both an activity log showing what the student worked on, and proof that the student worked on line.

In addition, the Department doesn't allow any student to be counted as more than one FTE student, so funding isn't duplicated. For students enrolled in both a traditional school and a virtual school, the Department's policy is to give the traditional school "priority," in terms of assigning FTE student counts for funding purposes.

**Based on information school districts reported to us, virtual schools cost less to operate than traditional schools, but received the same amount of State aid.** We analyzed 2005-06 district-level operating expenditures we received from the Department of Education. We also reviewed operating

expenditures reported to us by the nine virtual schools that could provide such information and had at least 20 virtual FTE students that year.

Operating expenditures included costs for property and equipment such as computers, desks, and televisions. The excluded costs related to food services, as well as long-term expenditures like capital outlay and debt service. *Figure 1-8* summarizes this information for the nine school districts.

**Figure 1-8**  
**Comparison of Virtual and Traditional School Operating Expenditures for School Districts with At Least 20 Virtual FTE Students**  
**2005-06 School Year**

School Districts	# of Virtual FTE Students	Virtual Operating Costs per FTE	Traditional Operating Costs per FTE	Difference
447 - Cherryvale	88.8	\$1,273	\$6,254	-\$4,982
328 - Lorraine	31.2	\$2,676	\$7,575	-\$4,899
424 - Mullinville	82.9	\$6,129	\$10,477	-\$4,348
218 - Elkhart	130.4	\$3,910	\$7,008	-\$3,098
259 - Wichita	210.0	\$2,842	\$5,147	-\$2,305
458 - Basehor-Linwood	336.0	\$3,433	\$5,622	-\$2,190
496 - Lawrence (a)	351.9	\$4,242	\$5,555	-\$1,313
400 - Smoky Valley	27.4	\$5,943	\$6,225	-\$282
253 - Emporia	21.0	\$7,467	\$5,684	\$1,782

(a) The Lawrence school district operates two virtual schools (K-8; 9-12)  
Source: LPA analysis of funding data from the Kansas Department of Education, and self-reported virtual school expenditures from school districts.

As *Figure 1-8* shows, for eight of the nine districts we reviewed, virtual school operating expenditures were reported as being \$300 to \$5,000 **lower** than these districts' overall operating expenditures per student. The Emporia virtual school reported having **higher** virtual operating expenditures per student although we confirmed the school's reported expenditures, we couldn't determine why its cost was so much higher than its counterparts because of data limitations.

*Figure 1-9* on the following page shows how the virtual school's reported operating expenditures compared to the State aid these districts received in 2005-06. The total amount of State funding these districts received above their virtual schools' operating costs ranged from \$37,300 to \$400,000.

Our findings were consistent with literature we reviewed, which reported a rough estimate of a state-run virtual school costing anywhere from \$2,400 to \$4,200 per virtual FTE student. In contrast, the overall national average cost for all students was \$7,735 per FTE student in 2003-04.

**Figure 1-9  
Comparison of Virtual Schools' Operating Expenditures and State Funding for  
School Districts with At Least 20 Virtual FTE Students  
2005-06 School Year**

School Districts	# of Virtual FTE Students	Virtual Operating Costs per FTE	State Aid per FTE (a)	State Aid Above/Below Reported Virtual School Operating Costs	
				Per FTE	Total
447 - Cherryvale	88.8	\$1,273	\$5,778	\$4,505	\$400,044
259 - Wichita	210.0	\$2,842	\$4,348	\$1,507	\$316,470
458 - Basehor-Linwood	336.0	\$3,433	\$4,348	\$915	\$307,440
218 - Elkhart	130.4	\$3,910	\$5,773	\$1,863	\$242,935
424 - Mullinville (b)	82.9	\$6,129	\$8,167	\$2,038	\$168,950
328 - Lorraine	31.2	\$2,676	\$6,100	\$3,424	\$106,829
496 - Lawrence (c)	351.9	\$4,242	\$4,348	\$106	\$37,301
400 - Smoky Valley	27.4	\$5,943	\$5,296	-\$647	-\$17,728
253 - Emporia	21.0	\$7,467	\$4,348	-\$3,118	-\$65,478

(a) State aid includes \$4,257 in Base State Aid per Pupil, plus additional funding for low or high enrollment.  
 (b) The Mullinville school district shared 32.5 virtual students with other districts (explained further in Question 2), resulting in State aid above virtual operating cost of only \$102,715 for that district in 2005-06.  
 (c) The Lawrence school district operates two virtual schools (K-8; 9-12)  
 Source: LPA analysis of funding data from the Kansas Department of Education, and self-reported virtual school expenditures from school districts.

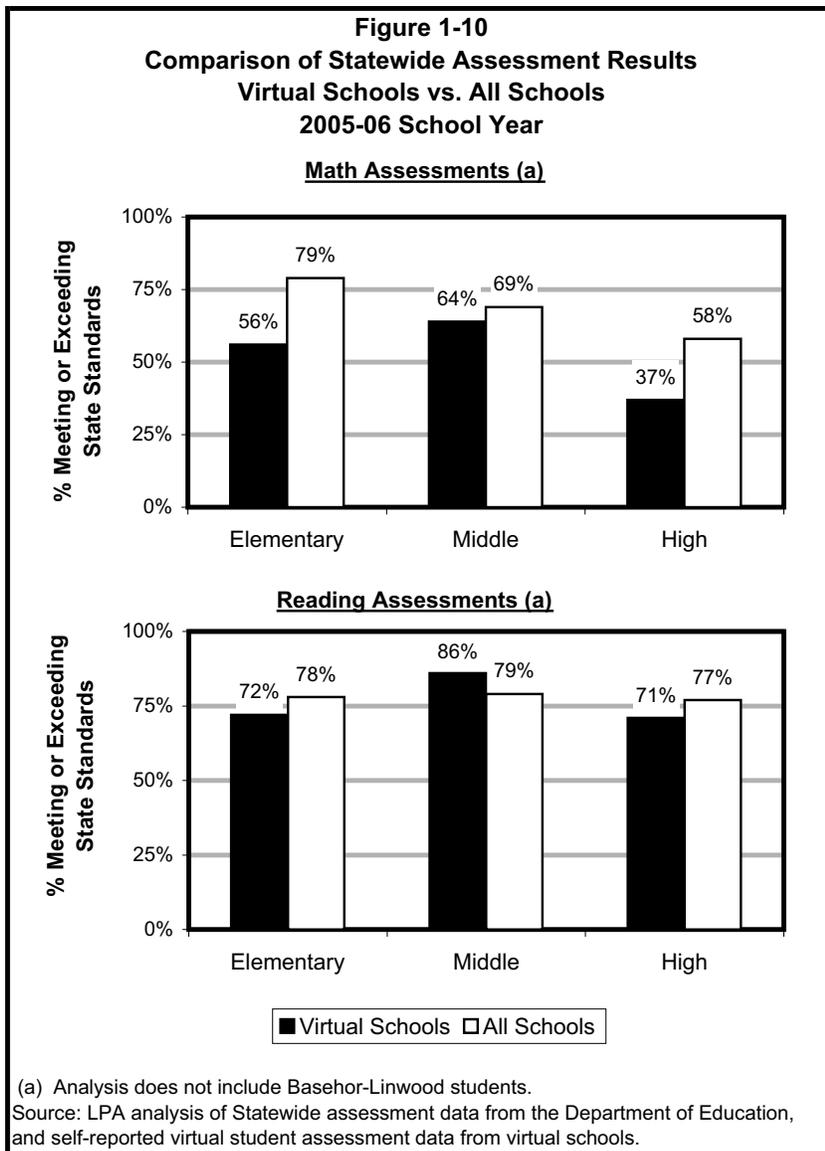
**Service centers generally charged school districts an amount equal to the Base State Aid Per Pupil of \$4,257 for each virtual student in 2005-06.** Service centers operate several virtual schools in Kansas, but they don't directly receive State funding for their virtual students. Instead, students are counted at the school districts that "sent" them. That district receives the State aid for those students, and in turn pays a fee to the service center to provide the virtual education.

We asked service centers that operated five virtual schools what they charged districts to provide virtual education in 2005-06. Two schools reported charging school districts \$3,400 per FTE student; the other three schools charged \$4,257 per FTE student, which was the Base State Aid Per Pupil that year.

***Although the Data Are Limited, Virtual Students Scored Lower on State Assessments than Traditional Students in 2005-06***

As part of the federal No Child Left Behind Act, Kansas requires all students in grades 3-8 to take Statewide assessment tests in math and reading. In addition, 10th graders must take the math assessment test, while 11th graders must take the reading assessment test. Non-traditional students—those who didn't graduate with their peers and are coming back to complete their high school diploma—aren't required to take assessment tests.

Virtual students have the same requirements. We collected the 2005-06 assessment test scores for math and reading from 11 virtual schools. We analyzed the proportion of students that met or exceeded State standards, and compared those results to Statewide



assessment outcomes. *Figure 1-10* shows how elementary, middle, and high school virtual school students compared to their Statewide counterparts.

As the figure shows, except for middle school reading tests, the Statewide student population outperformed virtual students. However, the reader should be aware of two important limitations regarding this information:

- **The assessment data for virtual students are limited.** We could only collect about 700 assessment outcomes from virtual schools, compared to about 466,000 test outcomes at the Statewide level. The small number of virtual assessment outcomes was exacerbated by the fact that the results for about 190 virtual students (which would have added about 300 testing outcomes) in Basehor-Linwood were lost because of a computer problem at the Center for Educational Testing and Evaluation (CETE), the organization that is responsible for gathering and maintaining the testing data.

- **The student populations may not be comparable.** Many virtual schools target students who are struggling or have dropped out of school. These students are likely to perform worse on State assessments than the general student population.

In addition to comparing assessment outcomes, we also tried to compare graduation rates between virtual students and traditional students. However, graduation rates for virtual students currently aren't available because not enough time has lapsed to have students go through all four years at most virtual high schools and actually graduate. Even in situations where a virtual school has existed long enough, students may not attend all four high-school years at a virtual school, essentially switching between the traditional and virtual alternatives.

**CONCLUSION:**

Virtual schools have grown tremendously over the last decade—from 63 students in 1998-99 to more than 2,000 students in the current school year. All indications are that they will only become more prevalent in the future. This development could have big implications for educational funding. As this audit showed, it costs schools less to operate a virtual program, but they get the same amount for virtual students as for traditional students. Also, by attracting some student populations who previously weren't part of the public school system, legislators will want to stay ahead of the growth curve, and consider policy implications for how the State funds virtual students.

The growth of the virtual student population also has implications for educational quality. Unfortunately, there is not much information on how these students perform academically, and the data that are available suggest those students don't perform as well as traditional students on State assessment tests. We don't know if that's a function of the quality of education being provided through virtual schools, the types of students enrolling in those schools, or some other factors. But these data do suggest policymakers will need to watch this area closely as virtual schools will play a more prominent role in Kansas' public school system in the future.

All of the recommendations for this report can be found at the end of Question 2.

## Question 2: Do the Laws and Regulations that Govern Virtual Schools in Kansas Provide Sufficient Oversight, and How Do They Compare To Those Adopted by Other States?

**ANSWER IN BRIEF:** *The Department of Education has developed a set of comprehensive policies for general oversight of virtual schools, which have been recognized as some of the strongest in the country. However, the Department generally isn't following the processes it has established to implement these oversight policies. In addition, many specific risks inherent in operating virtual schools aren't adequately addressed, especially at the State level. The Mullinville school district's practice of "giving" virtual students to nearby districts isn't allowed by law, and highlights the need for more stringent oversight measures. These and related findings are discussed in the sections that follow.*

### ***The Department Has Developed Good Policies For General Oversight Of Virtual Schools, But Often Doesn't Follow Them***

This section focuses on Kansas' general oversight of virtual schools—how they're approved, funded, and monitored. The more specific risks inherent to virtual schools are discussed in a later section.

**The Department of Education has established comprehensive policies and procedures to provide general oversight of virtual schools.** Relatively few statutes govern virtual schools in Kansas. State law clearly defines what constitutes a virtual school—K-12 courses offered through distance-learning technologies (primarily the Internet) that are available to students at any time and in any place. It also prohibits funding for virtual students who don't live in Kansas.

Beyond what's specified in law, the Department has adopted a number of policies for general oversight of virtual schools:

- **To be eligible to receive State funding, virtual schools must register with the Department of Education.** Virtual schools don't have to register, but since 2004-05 they've been required to register to receive State aid. To become registered, virtual schools must fill out an annual registration form. The 2005-06 form required virtual schools to respond to requirements in the following areas:
  - ▶ Teaching and Curriculum—*Virtual courses had to be aligned with State standards and could only be taught by licensed and certified teachers. Teachers had to be readily available to answer questions, and a back-up plan had to be in place for times when the teacher wasn't available to students.*
  - ▶ Accountability for Student Achievement—*Students were required to take Statewide reading and math assessments. In addition, high school students were required to take proctored final exams to complete each course.*

- ▶ *Equity and Access*—Virtual schools had to develop a policy for providing special education services.

In addition, Department's process is to conduct an initial on-site visit of each virtual school to complete the registration process. The visit is supposed to ensure that the school actually follows the guidelines spelled out in its registration application.

- **Virtual schools have to submit an annual report so the Department can monitor their growth and performance.** The annual reports are used to collect information on how many students each virtual school served, and how those students performed on State assessment tests in math and reading.

**The policies and procedures the Department had in place in 2005-06 were recognized as some of the strongest in the country.** To compare the level of oversight Kansas has established to that of other states, we reviewed an annual comprehensive research report that summarizes the oversight policies for on-line learning education programs in all 50 states. This report is entitled, *Keeping Pace with K-12 Online Learning: A Review of State-Level Policy and Practice*.

The 2006 edition of the report identified 22 states that—like Kansas—provided or administered their on-line programs at the district-level. Our analysis of the policies reported for those 22 states showed the following:

- Seven states had strong, comprehensive oversight policies (Kansas, Minnesota, Oklahoma, Oregon, Pennsylvania, Texas, and Washington)
- Five states had less comprehensive policies (Arizona, Montana, Nevada, Ohio, and New Hampshire)
- 10 states had very weak or no policies (Indiana, Nebraska, Tennessee, Alaska, Connecticut, Massachusetts, New Mexico, New York, Vermont, and Wyoming)

*Appendix C* includes a more detailed description of the oversight policies for each of the 22 states with district-level on-line programs.

The report's authors had the following comments on the general oversight policies and procedures adopted in Kansas:

*“The Kansas State Department of Education (KSDE) has perhaps the most-developed and well-documented system for tracking online programs of any state in the country...”*

Regarding the practice of performing an on-site visit prior to final approval, the authors wrote:

*“...this type of process, with a formal review of individual programs against established guidelines, is rare.”*

**Kansas’ actual oversight of virtual schools is weak, because the Department often hasn’t carried out the policies it has established.** We found several areas where the Department hasn’t adhered to those oversight policies and procedures:

- **The Department had lost track of which virtual schools were registered.** At the beginning of the audit, Department staff who oversee virtual schools told us the 26 virtual schools listed on the Department’s website constituted all the virtual schools in Kansas. While compiling records for us to review, they found registration records for two additional virtual schools that were new this year, but that staff had not been aware of. One potential reason why: there’s no formal end to the registration process—such as a letter or other form of notification or approval. It was difficult for Department staff to figure out if the two additional schools were registered or not.
- **More than 60% of the registration forms for the current school year were missing.** It’s through these forms that the Department finds out how each virtual school plans to address a variety of issues related to the quality of education the school provides. When we looked for the completed registration forms for each virtual school over the last three school years, almost half the forms were missing (32 of 65), including more than 60% (17 of 28) for the current school year.
- **In addition, the current due date for the registration forms is August 15—just before the start of school.** Even if Department’s staff set out to thoroughly review the registrations and visit the schools, there’s not much time before the schools start enrolling students. This is especially problematic with new virtual schools that have no experience offering a virtual education.
- **The Department hadn’t conducted many of the on-site visits.** The purpose of these visits is to help ensure that virtual schools actually do what they’ve described on their registration forms. In 2006-07, six new virtual schools registered with the Department; none of them had received an on-site visit before they began enrolling students in August. Overall, the Department had documentation on file for on-site visits at only two schools. Nine other districts indicated on their most recent annual report that they’d received a visit, but the Department had no documentation for those visits.
- **The Department doesn’t have reliable data to monitor virtual schools.** The Department requires each virtual school to submit an annual report showing enrollment and the performance of its students on the Statewide reading and math assessments. These data are supposed to be used to monitor the size and performance of virtual schools.

- ▶ *Many of the annual reports were missing or incomplete.* Over the last two years, 6 of 37 annual reports that should have been submitted to the Department were missing. Of the 31 reports that were submitted, 20 were missing data.
- ▶ *The data reported on the annual reports were inconsistent.* For example, the Olathe virtual school reported it had 371 virtual students on its 2005-06 annual report, even though only four of those students met the State’s “anytime, anyplace” definition of virtual education (most of the students simply were participating in web-based courses during a set time at school).

Collecting virtual enrollment and performance information through the Departments’ KIDS tracking system would be more efficient, but the database currently isn’t equipped to do so. This is further explained below.

**The Department’s Primary Student Database  
Can’t Be Used To Identify Most Virtual Students**

In 2005, the Department of Education started developing the Kansas Individual Data on Students (KIDS) collection system in an effort to count students for funding purposes and to meet reporting requirements of the federal “No Child Left Behind” Act. This student-level record system was first used in the 2005-06 school year, and allows the Department to gather more accurate student data in a more timely fashion.

The KIDS system collects core data for every student, such as the student’s name, date of birth, and the school in which they are enrolled. KIDS also collects additional information that is used to determine each district’s funding, and to meet State and federal reporting requirements. Because each student receives a unique, randomly generated State identification number, this system makes it possible to track students throughout the K-12 system—something that wasn’t possible before.

While KIDS is a tremendous leap forward in how the Department collects data, the database doesn’t contain information that would allow the Department to easily identify virtual students. As a result, only students who attend a separately accredited virtual charter school can be identified through the system. In 2006-07, only seven virtual schools were separately accredited (the other 21 were either programs within another school, or were run by a service center). These seven schools account for less than 36% of the total Statewide virtual enrollment. Department officials told us they will try to address this issue in the near future.

***Many of the Specific  
Risks Inherent in  
Operating Virtual Schools  
Aren’t Adequately  
Addressed, Especially  
At the State Level***

Virtual schools are in many ways qualitatively different from traditional schools—students work from their own homes, on their own schedules, and without direct supervision from teachers. As a result, there are some specific, inherent risks with virtual schools that don’t really exist with traditional schools. In this section, we evaluate how well the Department and local districts have addressed these risks.

The inherent risks we identified by reviewing the education literature and audits in other states, and by talking to experts and officials involved with virtual education, generally fell into two categories:

- risks school districts should directly address, with oversight provided by the Department of Education
- risks the Department should directly address

These risks are summarized in the first column on **Figure 2-1**.

**Figure 2-1  
Summary of How Well State and Local-Level Policies  
Address Specific Risks with Virtual Schools**

Risk Area	Has the Department Provided Adequate Guidance to (Oversight over) Virtual Schools To Address this Risk?	Have Local Virtual Schools Implemented Adequate Policies To Address this Risk?
<b>ACADEMIC INTEGRITY</b>		
Classes aren't taught by qualified teachers.	<b>YES.</b> The Department requires teachers to be licensed and certified in their subject area (as with traditional schools).	<b>YES.</b> According to all five virtual schools, each course is associated with one or more certified teacher.
Teachers aren't available to answer questions.	<b>NO.</b> In the past, the Department required a 24-hour response from virtual teachers. This requirement has changed to virtual schools only needing to explain what opportunities exist for students to receive ongoing feedback, without specific guidance on what's acceptable.	<b>YES.</b> According to all five virtual schools, teachers contact students regularly, weekly, or hold parent-teacher conferences every two weeks by phone.
Teachers don't know how to teach on line.	<b>NO.</b> In the past, the Department required teachers to be trained in teaching on-line courses. This requirement has been changed to schools only needing to "determine, track and evaluate" the need for staff training.	<b>NO.</b> Three of five sampled virtual schools either have no specific teacher training or have training that appears to be too limited.
Students may not do the work themselves.	<b>NO.</b> In the past, the State required that high-school finals should be "facilitated." This requirement has been eliminated. State officials stated that unethical behavior by the students is the responsibility of the local school boards.	<b>YES.</b> According to all five virtual schools, teachers use various methods to detect "cheating" such as checking assignments for plagiarism, comparing test work to daily assignments, and proctoring or administering high school finals by phone.
Students receive credit without learning the material.	<b>NO.</b> Department officials stated these are issues of the local school boards.	<b>YES.</b> According to all five virtual schools, students must demonstrate mastery of skills or satisfactorily complete courses before moving to the next level.
Students under age 16 don't attend school as required by law.	<b>NO.</b> In the past, the Department required the virtual school to show "regular engagement" in the program. This requirement has been eliminated.	<b>YES.</b> The five schools employ various methods of monitoring students' activity in the program, ranging from checking for turned-in assignments, using software reports on the students' online work, and reviewing quarterly activity logs. Several schools had strong policies on improvement plans when students were "slipping" in their work.
<b>TECHNOLOGY</b>		
Teachers or students don't get the technology support they need.	<b>YES.</b> The Department requires virtual schools to explain who their technology support staff is, and how technology issues will be addressed if students aren't on site.	<b>YES.</b> All virtual schools had special technology staff, teachers or contracted personnel available to help with technical questions.
Technology fails and students can't work on their classes.	<b>NO.</b> The Department doesn't have guidance for school districts to back up systems.	<b>YES.</b> All five virtual schools appeared to have adequate back-up procedures such as secondary or off-site servers.
<b>SUMMARY</b>	<b>2 of 8 risks adequately addressed at the State level</b>	<b>7 of 8 risks adequately addressed at the district level</b>
Source: LPA results of policy reviews and interviews with Kansas Department of Education officials for State-level policies, and interviews with a sample of five virtual schools.		

The Department hasn't provided sufficient oversight to help ensure that districts address the inherent risks associated with the quality of virtual schools. Because virtual schools have far less direct contact with students than traditional schools, steps need to be taken to ensure that the quality of a virtual education doesn't suffer. Districts that

operate virtual schools ultimately are responsible for the quality of their programs, but the Department of Education has an important oversight responsibility to establish policies and provide sufficient guidance to ensure that quality issues are adequately addressed.

We interviewed Department officials and reviewed the Department's virtual school registration form to identify the level of oversight and guidance the State was providing. We also interviewed officials from five virtual schools (Basehor-Linwood, Elkhart, Lawrence, Wichita, and the Education Services and Staff Development Association of Central Kansas) to find out whether they had established adequate policies and procedures at the local level. Our results are summarized in the second and third columns of *Figure 2-1*.

As the figure shows, the Department has established adequate oversight policies in only two of the eight risk areas we identified. The five local districts we reviewed appeared to have adopted policies and procedures that adequately address all but one of the risk areas (three of the districts don't have strong enough policies to ensure that teachers know how to teach on-line courses).

**For the 2006-07 school year, the Department relaxed or eliminated several requirements that used to provide good guidance to virtual schools on how to address many risk areas.** According to Department staff, an advisory board composed of officials from several virtual schools and the Department reviewed the registration process and recommended streamlining the registration form. The changes adopted by the Department significantly reduced the amount of information collected on the form and relaxed or eliminated requirements in the following areas:

- Testing—the Department eliminated the requirement that virtual high school students take proctored finals.
- Student attendance—the Department eliminated the requirement that virtual schools must show how they ensure students had “regular engagement in the program.” That requirement had helped identify students who didn't meet the State's mandatory attendance requirements for students under age 16.
- Training—the Department relaxed the requirement that virtual schools' certified staff had to be trained in on-line teaching. The 2006-07 registration form only requires virtual schools to describe how their staff training needs are determined, tracked, and evaluated.
- Availability of teachers—the Department relaxed the requirement that virtual schools had to ensure teachers were available within a 24-hour turnaround period for questions. The 2006-07 form only requires schools to describe “what opportunities exist for students to receive ongoing feedback.”

**The Department hasn't directly addressed the risk that districts could manipulate virtual schools for financial gain.** Because virtual students don't physically attend the school, it's easier for virtual schools to move or "create" students to benefit them financially or in other ways. We interviewed Department officials and reviewed any policies and procedures they had established to determine if these potential risk areas had been adequately addressed. Our results are summarized in *Figure 2-2*.

<b>Figure 2-2 Summary of How Well the State (as Primary Responder) Has Addressed Specific Risks of Virtual Schools</b>	
<b>Risk Area</b>	<b>Are Policies in Place To Prevent or Minimize this Risk?</b>
<b>FUNDING:</b>	
Students who attend both virtual and brick-and-mortar schools could be double-counted for funding.	<b>YES.</b> The Department's KIDS system allows auditors to check for students who are enrolled in more than one district.
Virtual students who don't live in Kansas could be funded.	<b>NO.</b> Although State law prohibits this, Department auditors don't see the students' addresses and therefore can't check for this.
Districts could recruit "marginal" adult students to get more funding.	<b>NO.</b> Under the current policy, a student only has to "attend" twice between the start of school and October 4 to be funded. For adult students, there's no accountability after that, because these students aren't required to take State assessments tests.
Districts can "create" students by fabricating time logs.	<b>NO.</b> Not something that's been contemplated by the Department.
Districts could trade virtual students to take advantage of different parts of Kansas' funding formula.	<b>NO.</b> Not something that's been contemplated by the Department. As discussed beginning on page 28, we describe how this might happen.
<b>ACADEMIC INTEGRITY:</b>	
Districts could trade virtual students to "game" AYP results.	<b>NO.</b> Not something that's been contemplated by the Department. As discussed beginning on page 28, we describe how this might happen.
<b>SUMMARY</b>	<b>1 of 6 risks adequately addressed at the State level</b>
Source: LPA results of policy reviews and interviews with Department of Education officials.	

As the figure shows, the Department has addressed only one of the seven risk areas we identified—ensuring that students who attend both virtual schools and brick-and-mortar schools aren't double-counted for funding purposes. Here are some additional details about some of the risk areas that haven't been addressed:

- **The Department has no way to ensure that virtual students who live outside Kansas aren't funded.** State law limits funding for virtual schools to those students who live in Kansas. The Department's KIDS tracking system contains a lot of information about students, but doesn't collect student addresses. As a result, there's no easy way for its auditors to identify out-of-State students who shouldn't be funded.

During this audit, we identified three virtual school students whose addresses were outside Kansas. Two of those students had moved out of State after the September count date—under State law these students were eligible for funding. The third student lived in Colorado the entire time, and should never have been counted for funding purposes. The Department’s audit director told us the student will be removed from that district’s enrollment.

- **Virtual schools have an incentive to recruit “non-graded” adult students because they receive funding for them but aren’t responsible for their performance.** Almost 19% of the students enrolled in virtual schools are adults who have dropped out and are returning to work on their high school diploma (overall, only 1% of all traditional students in Kansas are adults). Under current State law, adult students pursuing their high school diploma are fully funded just like other K-12 students. However, these students aren’t required to take Statewide reading and math assessments. If they drop out of the virtual school, do on-line coursework sporadically (or not at all after the enrollment count date), do poorly on those courses, or enroll repeatedly year after year, the district still receives full funding for them.

During this audit, we reviewed attendance records for 20 non-graded virtual students who were counted as full-time or nearly full-time students (.8 or more) for funding purposes. (To be counted as a full-time student, they had to have worked on their coursework for six hours on two separate days between start of school and October 4.) Almost two-thirds of the students worked on line less than twice a week (although they may have done some homework off line). Two students spent less than two hours a week on line. In addition, we noted that one student only worked for the two required count days, and three other students only worked on line three times during the time period we reviewed. This kind of spotty attendance raises questions about the appropriateness of funding them as full-time students.

- **Because students are “virtual” and can enroll from anywhere in the State, it would be easier for districts to manipulate them for funding or testing purposes.** Such transactions are easier in a virtual school environment than in a traditional school because they involve changing only the paper record, not physically moving a student. For example, districts could “give” or “trade” virtual school students to other districts to generate additional funding, offset the effects of declining enrollments, or affect test results. Our audit findings in this area are discussed in the following section.

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***Mullinville’s Practice of “Giving” Its Virtual Students to Nearby Districts Isn’t Allowed by Law, and Highlights the Need for Better Oversight of Virtual Schools***

As **Figure 2-2** showed, the Department hadn’t developed policies and procedures to address a number of the risks inherent with virtual schools because it simply hadn’t envisioned them happening. Although such risks may seem remote, we identified a situation in the Mullinville school district that shows these risks can be real. It highlights the need for strong oversight policies and procedures to try to prevent problems from occurring, and to detect and correct them if they do occur. That situation is discussed in this section.

**Most students enrolled in the Mullinville virtual school should have been counted for funding purposes in the Mullinville district, because that's the district they attended.** The Mullinville school district in southwest Kansas started a virtual school in 2001-02 (The 21st Century Learning Academy), and contracted with the Southwest Plains Regional Service Center to operate it.

Most students enrolled in Mullinville's virtual school live in the southwest region of the State, but some live as far north and east as Salina, and Emporia. In 2006-07, 121.0 full-time-equivalent students attended the Mullinville virtual school, as compared to the district's total enrollment of 149.7 FTE students.

For funding purposes, State law allows students to be counted in only one of two ways:

- **In general, students should be counted in the district where they attend school.** This includes both students who attend school in their home district, and students who attend a different district than where they live (including students who "attend" a virtual school in a different part of the State).
- **In special circumstances, students can be counted where they live, and not where they attend school.** Because many districts in the State are too small to support the full range of grades (K-12), there's a provision in statute that allows them to have some of their students attend school in a different district but still count as part of their enrollment. This only applies if the local boards of the two districts enter into an *inter-district agreement* to share education services.

In general, Mullinville's virtual students should be counted in the Mullinville district's enrollment count for funding purposes. The one exception is for virtual students who live in Haviland. That's because the Haviland and Mullinville school boards entered into an inter-district agreement to combine services for their high-school students. According to the agreement, Mullinville counts its high school students even if they attend the Haviland brick-and-mortar high school, while Haviland counts its high school students even if they attend Mullinville's virtual school.

**Over the last five years, the Mullinville school district has "given" a total of 130 of its virtual students to three nearby districts to count as their students for funding purposes.** During this audit, the Superintendent of the Mullinville school district told us he had "shared" the district's virtual students with three nearby districts—Comanche County, Pawnee Heights, and Haviland.

These districts had essentially no role in educating the virtual students they received; they simply added them to their enrollment counts. According to the Superintendent, Mullinville provided these districts with a list of student names, and supporting attendance documentation necessary to pass the Department’s enrollment audit. During our visit to the Mullinville school district, the school board President told us he was aware of this practice.

**Figure 2-3** shows the number of virtual students the Mullinville school district has shared with the other three districts over the years.

As the figure shows, the number of virtual students Mullinville has given to these three districts has grown from 16.0 to 33.4 FTE students since 2002-03. During that same time, the number of its virtual school students that Mullinville kept has ranged from 43.3 to 100.5 FTE students.

In comparing where these virtual students lived with the districts they were “given” to, we found the following:

- **Most of these students didn’t come from the districts Mullinville gave them to.** For example, of the 33.4 FTE students Mullinville gave to these three districts in 2006-07, only 3.7 of them lived in the districts they were given to. The location of these students is shown in the maps in **Figure 2-4** on page 26. Some of the virtual students Mullinville gave to these other districts lived as far away as Salina to the east, and Tribune to the west.

Figure 2-3 Number of Virtual Students the Mullinville School District Gave to Three Nearby School Districts 2001-02 to 2006-07 School Years									
School Year	Total Virtual FTE Attending Mullinville Virtual School	# of Virtual Students Mullinville Gave to... (Funding Kept After Service Center Was Paid - Per Student and in Total)					Total FTE Given To Other Districts	Total FTE Mullinville Kept	
		Haviland		Comanche County		Pawnee Heights			
2001-02	22.0		0.0		0.0		0.0	22.0	
2002-03	59.3		14.0		2.0		0.0	43.3	
2003-04	123.4		14.0		4.9		4.0	100.5	
2004-05	99.0		16.6		5.7		2.6	74.1	
2005-06	80.6		21.9		3.6		7.0	48.1	
2006-07	121.0	FTE	8.8	FTE	8.3	FTE	16.3	33.4	87.6
		\$ / FTE	\$3,552	\$ / FTE	\$2,066	\$ / FTE	\$3,505		
		Total \$	\$31,258	Total \$	\$17,148	Total \$	\$57,132		
<b>Total:</b>	<b>505.3</b>		<b>75.3</b>		<b>24.5</b>		<b>29.9</b>	<b>129.7</b>	<b>375.6</b>

Source: LPA summary of self-reported student information provided by Mullinville virtual school officials.

- **Contrary to the inter-district agreement between Mullinville and Haviland mentioned earlier, none of Mullinville’s virtual students who resided in Haviland were counted at Haviland.** Under that agreement, students from Haviland attending the Mullinville virtual school should have been counted in Haviland. However, Mullinville gave one of the three students to Pawnee Heights, and counted the other two students (totaling 0.4 FTE students) in its own 2006-07 enrollment. As **Figure 2-4** shows, Mullinville did give Haviland 8.8 FTE students who lived elsewhere.

We also noted that the virtual school students Mullinville gave away were mostly “non-graded” students—adult students working on their high school diplomas who aren’t required to take Statewide reading and math assessments. Out of the 33.4 FTE students shared in 2006-07, only one student (0.3 FTE) would have been required to take a Statewide assessment. The Mullinville Superintendent told us he felt his district should be responsible for any virtual school student who needed to be tested, and he distributed the virtual students accordingly.

**The three receiving districts got all the State aid those students generated, and kept what was left after paying a fee to the Service Center.** All four districts (including Mullinville) paid Southwest Plains Regional Service Center an amount equal to the Base State Aid Per Pupil for each of the virtual students included in their enrollment counts. They kept the remainder, which included any low-enrollment, at-risk, or other funding these students generated.

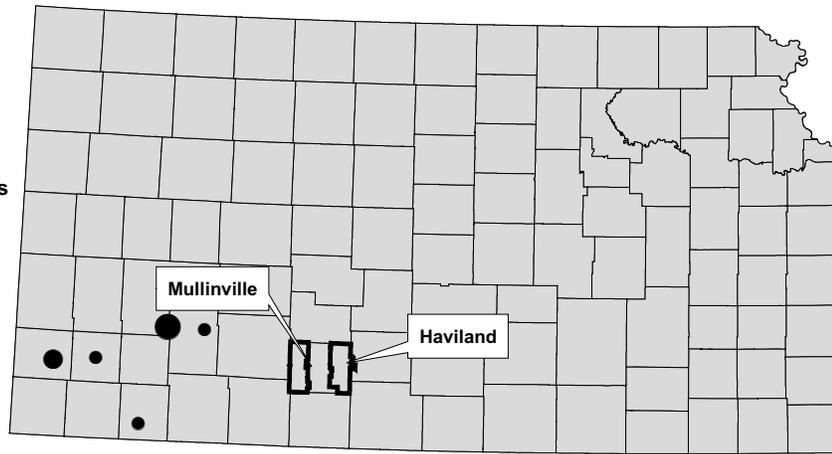
That additional amount can be significant, especially for a small school district. As **Figure 2-3** showed, Haviland, Comanche, and Pawnee Heights received between \$2,066 and \$3,552 per FTE student in low-enrollment weighting in 2006-07. By adding Mullinville’s virtual students to their enrollment counts, these districts gained a total of \$17,000 to \$57,000, also shown in the figure.

When we brought this situation to the Department’s attention, Department officials told us that while it’s not reasonable or practical to adjust these districts’ enrollments and funding for 2006-07, they won’t allow any sharing of virtual students in the upcoming school year.

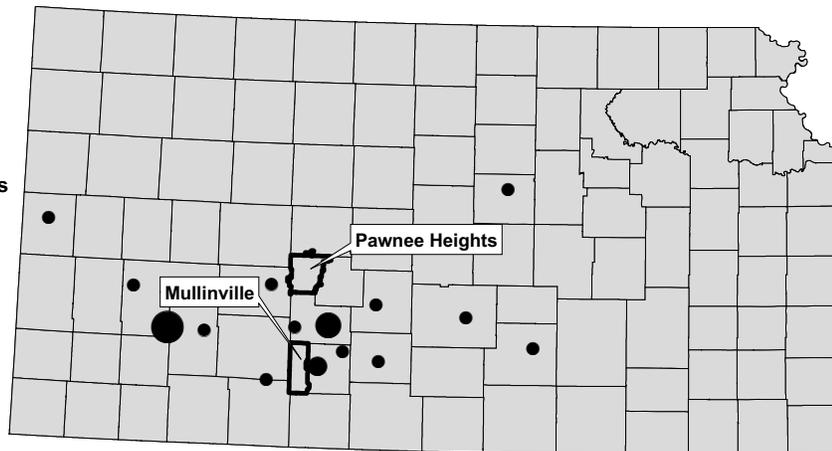
**The Mullinville Superintendent cited a number of financial and other reasons for giving some of the district’s virtual school students to other districts.** He told us he gave virtual students to these three districts to count in their enrollments for the following reasons:

**Figure 2-4**  
**Location of Mullinville Virtual School Students "Given" to Other Districts**  
**To Add to Their Enrollment Counts for Funding Purposes**  
**September 20, 2006**

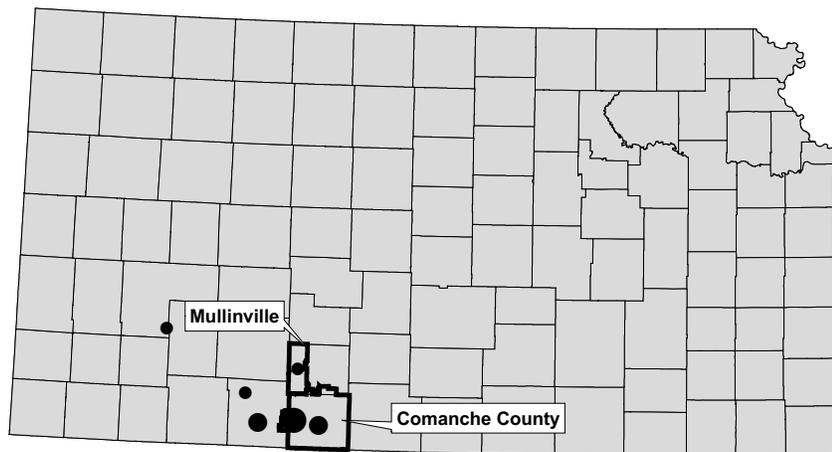
**Mullinville Gave  
Haviland  
8.8 FTE Virtual Students**



**Mullinville Gave  
Pawnee Heights  
16.3 FTE Virtual Students**



**Mullinville Gave  
Comanche County  
8.3 FTE Virtual Students**



● Location of virtual students  
(larger dots mean more students).

Source: Geographical analysis of student addresses obtained from the Mullinville school district.

- **He realized early on that the Mullinville district didn't need all the funding its virtual school enrollment was generating.** Enrollment in Mullinville's virtual school had grown from 22.0 FTE students in 2001-02 to 121.0 FTE students in 2006-07. If it had kept the 33.4 virtual students it gave away in 2006-07, Mullinville would have received \$3,809 for each student after paying SWPRSC for its services—a total of \$127,221. That's 7% of this district's \$1.8 million budget for that year.

- **"Giving" away some of the Mullinville virtual school's "excess" enrollment allowed him to help other districts financially.** For example, he noted that the virtual students he "gave" Haviland helped Haviland pay the costs it incurred for educating Mullinville's high school students under the inter-district agreement the two districts have.

In addition, for the 2006-07 school year, the Superintendent significantly increased the number of virtual students he gave to Pawnee Heights to help offset the large enrollment decline Pawnee Heights experienced this year.

- **He was compensating two of the districts for not opening their own virtual schools in the area.** According to officials from Mullinville and Southwest Plains Regional Service Center, both Comanche County and Pawnee Heights had voiced an interest in opening their own virtual schools for adult students in the past. Officials from the Service Center had concerns about the area's ability to support more than one school, and Mullinville ended up agreeing to provide some of its virtual enrollment to these districts.
- **He initially indicated he was trying to give each district "back" the number of virtual students who lived in these districts general areas.** The Superintendent told us his method of sharing students involved figuring out how many students came from each of the three districts and their surrounding areas, and then assigning that number of students back to the districts. We compared the home addresses of the Mullinville virtual students to the number of students he gave to each district and found that this explanation didn't hold true.
- **He said Department of Education officials had expressed concerns that the district's virtual enrollment had surpassed its brick-and-mortar enrollment.** The Superintendent told us he felt he was being encouraged to take some action. By giving some of his virtual students to other districts, it brought Mullinville's virtual school and traditional school enrollments more into balance.

The Superintendent also told us he had offered to give other districts some of Mullinville's "excess" virtual students, but said none of them had been interested.

**Allowing districts to decide where virtual students are counted creates the risk that districts could manipulate State funding and assessment results.** In auditing school district enrollments, the Department of Education’s focus has been on ensuring that students aren’t double-counted. The Department’s auditors were aware of Mullinville’s practice of “sharing” virtual students, but indicated that, because those students weren’t being double-counted, they didn’t investigate the legality of the practice.

The Mullinville Superintendent’s practice of giving virtual students to other districts for funding purposes was not allowed by law, but it did not appear to us to be intended to financially benefit either the Superintendent or the Mullinville district. Nonetheless, this situation shows some of the ways districts could take advantage of their ability to readily move virtual students from district to district:

- **Districts could manipulate funding by placing virtual students in districts where they will generate more State aid.** Because smaller districts are more expensive to operate on a per-student basis than larger districts, they receive an additional low-enrollment funding through the State aid formula based on a sliding scale (the smaller the district, the greater the amount of low-enrollment funding). In 2006-07, the smallest districts in Kansas could receive up to \$4,376 per student because of low enrollment in addition to the \$4,316 in Base State Aid Per Pupil.

If a district operating a virtual school wanted to manipulate funding to generate more State aid, it could give some of its virtual students to one or more smaller districts (with significant low-enrollment funding) who agree to share the additional aid they receive. That wasn’t the case in Mullinville. In fact, Mullinville is smaller than any of the other three districts it gave virtual students to. As a result, the State actually would have paid more in State aid overall for these virtual students if Mullinville hadn’t shared them.

- **Districts could manipulate funding by simulating declines in enrollment.** The school finance formula includes a declining enrollment provision to reduce the impact on districts’ State aid when enrollment levels drop, as they have been doing for years in many parts of the State. This provision allows districts to base their funding either on the current year’s enrollment, on the prior year’s enrollment, or on the average enrollment over the last three years—whichever is greatest. Because of the first two provisions, districts will always get to count at least the higher of the last two years, meaning enrollments only need to peak every other year.

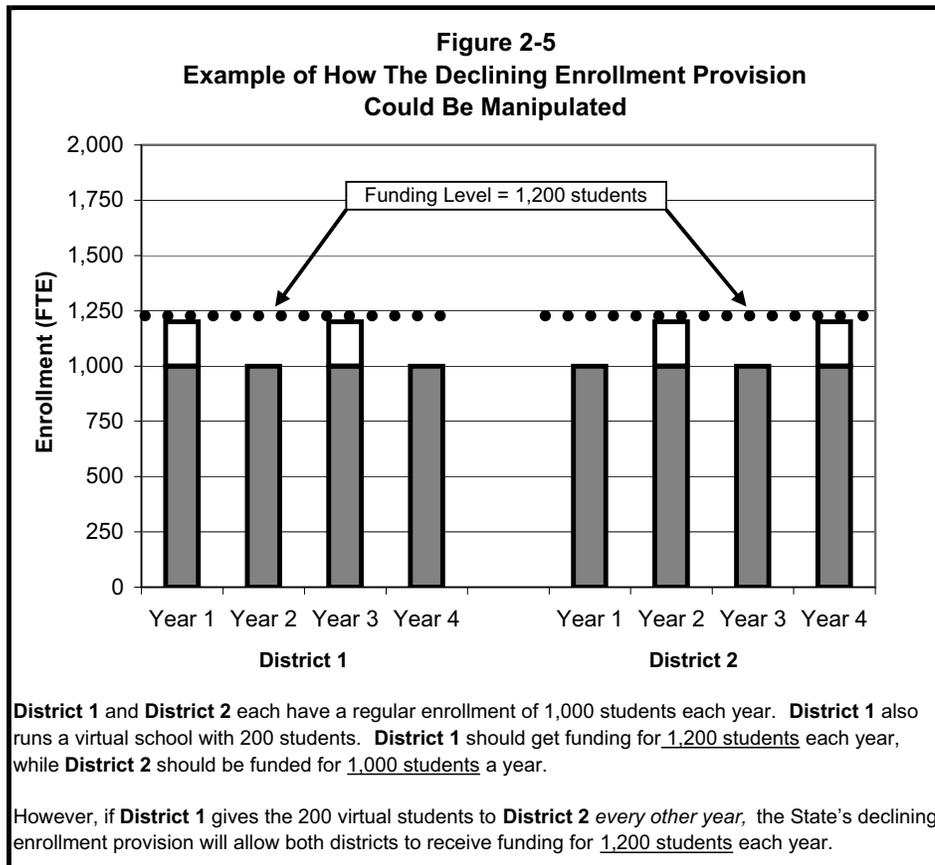
If a district operating a virtual school wanted to manipulate funding to generate more State aid, it could give a portion of its virtual students to another district every other year—enhancing that district’s funding without hurting its own. Again, the additional State aid could then be shared by the two districts. This situation is demonstrated in **Figure 2-5**.

We analyzed enrollment levels for the Mullinville, Haviland, Comanche County, and Pawnee Heights school districts, and saw no evidence that Mullinville was sharing its virtual students to simulate declines in enrollment. However, in 2006-07 the Mullinville Superintendent did cut Haviland's allotment by 13.1 FTE while giving Pawnee Heights an additional 9.3 FTE students to help make up financially for the district's significant enrollment drop that year.

- **Districts could manipulate "adequate yearly progress" results by trading strong- or poor-performing virtual students.** Under the federal No Child Left Behind Act, schools are required to make adequate yearly progress (AYP) toward the overall goal of having 100% of all students pass Statewide reading and math assessments. Because failure to make AYP can result in progressively stronger sanctions against a school (ranging from requiring them to provide supplemental services to eventually shutting down the school), making AYP has become very important to school districts.

If districts are allowed to trade their virtual students unchecked, they could manipulate these AYP results. This could happen between two districts, or within a single district that has more than one school at a particular grade level.

We didn't see this in Mullinville. As noted earlier, the Superintendent only gave away "non-graded" students, because he thought the district educating these students (Mullinville) also should be responsible for testing them.



The situation in Mullinville demonstrates what can happen when adequate oversight is lacking. In the time allowed for this audit, we couldn't determine whether other districts are involved in similar practices.

**CONCLUSION:**

Virtual education is a growing alternative to traditional schooling, with the potential to provide educational opportunities to a variety of students, including many who currently are outside the public school system. The fact that students don't have to be physically present to attend a virtual school gives this form of education a tremendous amount of flexibility—students can go to school at anytime and in anyplace. Unfortunately, when students don't have to be physically present, it also creates certain risks to both the quality of the student's education, and to the integrity of the public school system as a whole.

As this audit has shown, this form of education presents many challenges which have not yet gotten sufficient attention from the Department or the Legislature. In addition, districts with a virtual population can manipulate the student counts to result in inappropriate funding, which can undermine the faith and confidence in the system. To preserve the integrity and promise of this alternative form of education, and to ensure that funding for this virtual student population is based on sound policy and practice, the Legislature and the Department of Education will need to take stringent measures to address inherent risks to minimize the opportunities for abuse.

**RECOMMENDATIONS: FOR THE LEGISLATURE**

1. To ensure that the State's funding and oversight of virtual schools are based on sound policies and practices that help preserve the quality of virtual education and minimize the opportunities for abuse, the Legislative Post Audit Committee should ask the Legislative Coordinating Council to authorize an interim study of virtual education in Kansas. Among other things, this interim study should address the following issues:
  - a. Whether the State should control the growth of virtual schools by limiting the number of virtual schools that can receive State funding (e.g., in total, by region, by type of school, etc.).
  - b. Whether the current system for funding virtual schools ensures that the State funds them adequately but doesn't overcompensate districts for virtual education. Options to consider might include:

- i. limiting the funding for virtual school students to the Base State Aid Per Pupil.
  - ii. changing the process for counting virtual students to use the average attendance in the month of September in order to minimize the risk that part-time students are overcounted.
  - iii. removing virtual schools from the school finance formula and funding them through a separate grant program.
- c. Whether allowing virtual school programs to operate within existing accredited schools sufficiently ensures their quality, or whether all virtual schools should be required to become separately accredited as charter schools.
- d. Whether the current system holds school districts sufficiently accountable for the quality of education they provide to adult students who don't take Statewide reading and math assessment tests.
- e. Whether the requirements for school attendance, currently laid out in K.S.A. 72-1113, are applicable to virtual students, or should be adjusted.

#### **FOR THE DEPARTMENT OF EDUCATION**

2. To help ensure that virtual schools sufficiently address the inherent risks with virtual schools that we identified on page 19 of this report, the Department of Education should do the following:
- a. establish requirements or develop guidance for how virtual schools should address each of the risk areas.
  - b. require virtual schools to describe the policies and procedures they've adopted to address each of the risk areas as part of their registration application.
  - c. perform an initial on-site visit to all newly registered virtual schools to verify that they have implemented the policies and procedures described in the registration application. Staff should visit established schools periodically to help ensure that they continue to address the risk areas adequately.

- d. once the Department has determined that a virtual school has met all requirements, it should formally notify the school that its registration has been approved.
- e. change the due date for the registration application to give Department staff enough time to thoroughly review the application and perform the initial on-site visit.
- f. ensure that all registration forms are submitted on time, and are properly filed with the Department.

To help ensure there are sufficient staff and resources available to implement the recommendations above, the Department could consider streamlining the registration process by developing a multi-year registration. Under such a process, virtual schools could be required to complete a comprehensive application and undergo an on-site visit in the first year of each registration cycle, while only completing an abbreviated application in the intervening years. If a streamlined process isn't possible, or if it won't free up enough resources to implement the recommendations, the Department should identify and request funding for any additional staff or resources it needs.

3. To improve its ability to monitor the growth and performance of virtual schools, the Department should do the following:
  - a. modify the Kansas Individual Data on Students (KIDS) system to include the information that would allow it to readily identify virtual students, their FTE enrollment count, and associated State math and reading assessment scores. At a minimum, that information should include a field showing the virtual school the student attended.
  - b. until the KIDS system is modified, continue to collect virtual school information through the annual report, but revise the form so schools receive sufficient instruction on how to complete the report correctly, and make certain schools submit fully completed reports in a timely fashion.
4. To improve the Department's process of determining accurate funding for virtual school students, it should do the following:

- a. count virtual students for funding purposes either in the district they attend, or the one in which they live (if there is a legal inter-district agreement, as specified in K.S.A. 72-8233). The Department also should notify all school districts of this clarification.
- b. modify the KIDS database to include each student's home address so Department auditors can ensure that school districts don't receive funding for out-of-State virtual students.

**FOR THE MULLINVILLE SCHOOL DISTRICT**

5. To bring its enrollment practices in line with State law, the Mullinville school district should end its practice of giving students who attend the 21st Century Learning Academy to other school districts to count as part of those districts' enrollments, unless it is giving those students back to the district in which they live under the authority of a legal inter-district agreement (as specified in K.S.A. 72-8233).

## APPENDIX A

### SCOPE STATEMENT

This appendix contains the scope statement approved by the 2010 Commission for this audit on November 13, 2006. The audit was requested by Representative Colloton.

#### **K-12 Education: Reviewing Issues Related to Virtual Schools**

Virtual schooling is one of the fastest growing trends in education. Virtual schools allow students to take K-12 courses over the Internet or through another web-based method, without physically being present in a classroom. Such schools offer flexibility to students to enroll in hard-to-find courses or complete courses on their own time schedule. According to the Kansas Department of Education, 18 school districts and four service centers offered virtual coursework for K-12 students in 2005-06.

Recently, some legislators have expressed concerns about the prevalence of virtual schools and the State's oversight over such schools. This school district performance audit would answer the following questions:

- 1. How prevalent are virtual schools in Kansas, what do they cost, and how have their students performed?** To answer this question, we would identify the virtual public schools in Kansas and use Department of Education enrollment data to determine how many students have participated in those schools over the last several years. We would review school district accounting records to determine how much the virtual schools cost to operate as compared to traditional schools. Finally, we would compare the State assessment results and graduation rates of students who participate in virtual schools in Kansas to the performance of students in traditional schools.
- 2. Do the laws and regulations that govern virtual schools in Kansas provide sufficient oversight, and how do they compare to those adopted by other states?** To answer this question, we would review the State laws, regulations, and Department of Education policies that govern the operation of virtual schools in Kansas. We would also review the education literature to identify any best practices for regulating virtual schools, and contact officials from a sample of other states to understand how virtual schools operate in those states. We would compare Kansas' laws and regulations to the best practices and the systems in the other states to determine if Kansas' system provides sufficient oversight.

Estimated Resources: 3 staff (8-10 weeks)

## **APPENDIX B**

### **History of the Number of Virtual Schools and their FTE Student Enrollment**

This appendix contains a complete list of virtual FTE enrollment by virtual school from the 1998-99 to the 2006-07 school year. The data was compiled from self-reported FTE enrollment data virtual schools reported to us.

**Appendix B**  
**History of the Number of Virtual Schools and their FTE Student Enrollment**  
**1998-99 School Year to 2006-07 School Year**

District or Service Center Name	Virtual School Name	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
458 - Basehor-Linwood	Basehor-Linwood Virtual School	63.0	219.5	364.0	360.5	344.0	354.5	368.0	336.0	345.0
499 - Galena	Cornerstone Alternative Charter High School	---	---	16.0	20.0	19.0	16.2	21.0	19.0	11.0
218 - Elkhart	Elkhart Cyber School	---	---	---	36.5	64.0	86.9	141.5	130.4	121.7
259 - Wichita	Wichita eSchool	---	---	---	217.5	260.0	221.5	196.0	210.0	212.0
424 - Mullinville	21st Century Charter School Learning Academy	---	---	---	22.0	59.3	123.4	99.0	82.9	122.1
457 - Garden City	Networking Technologies	---	---	---	3.6	6.4	3.5	3.6	0.9	0.0
609 - Greenbush	Virtual Greenbush	---	---	---	16.3	35.2	30.4	21.7	27.0	28.8
512 - Shawnee Mission	Shawnee Mission e-School	---	---	---	---	3.0	10.0	10.0	10.1	20.2
233 - Olathe	E Academy	---	---	---	---	---	4.6	1.3	2.1	0.9
447 - Cherryvale	Cherryvale Diploma Center	---	---	---	---	---	31.1	39.6	88.8	127.2
626 - SWPRSC	SWPRSC- Community Learning Centers	---	---	---	---	---	6.4	19.1	43.4	51.0
253 - Emporia	Turning Point Learning Center	---	---	---	---	---	---	---	21.0	38.5
328 - Lorraine	Lakeside Learning Center	---	---	---	---	---	---	---	31.2	70.0
333 - Manhattan	ORACLE Virtual Learning	---	---	---	---	---	---	---	15.0	11.4
400 - Smoky Valley	Smoky Valley Virtual Charter School	---	---	---	---	---	---	---	27.4	28.4
489 - Hays	Learning Center of Ellis County	---	---	---	---	---	---	---	1.4	6.8
497 - Lawrence	Lawrence Public Schools Virtual Charter	---	---	---	---	---	---	---	294.2	510.1
497 - Lawrence	Lawrence Virtual Secondary Program	---	---	---	---	---	---	---	57.7	75.8
501 - Topeka	Hope Academy	---	---	---	---	---	---	---	28.0	n/a
622 - ESSDACK	ESSDACK Virtual Programs	---	---	---	---	---	---	---	38.5	54.5
628 - SCKESC	HomeRoom Virtual Classrooms	---	---	---	---	---	---	---	16.0	63.8
628 - SCKESC	Diploma Completion Programs	---	---	---	---	---	---	---	6.6	49.7
202 - Turner	Turner Virtual Learning Center	---	---	---	---	---	---	---	---	30.0
226 - Meade	Academy for Academic Success	---	---	---	---	---	---	---	---	2.1
266 - Maize	Maize Online	---	---	---	---	---	---	---	---	1.0
299 - Sylvan	Sylvan Unified Virtual School	---	---	---	---	---	---	---	---	9.5
315 - Thomas	Thomas Charter School	---	---	---	---	---	---	---	---	2.0
453 - Leavenworth	Leavenworth Virtual School	---	---	---	---	---	---	---	---	58.7
629 - Smoky Hill	Smoky Hill Education Service Center	---	---	---	---	---	---	---	---	4.0
<b>Total FTE student enrollment</b>		<b>63.0</b>	<b>219.5</b>	<b>380.0</b>	<b>676.4</b>	<b>790.9</b>	<b>888.5</b>	<b>920.8</b>	<b>1,487.7</b>	<b>2,056.2</b>
<b>Number of virtual schools:</b>		<b>1</b>	<b>1</b>	<b>2</b>	<b>7</b>	<b>8</b>	<b>11</b>	<b>11</b>	<b>22</b>	<b>28</b>

Source: LPA analysis of self-reported FTE enrollment data from virtual schools.

## APPENDIX C

### Summary of State Policies on Virtual Schools

This appendix shows our summary of the 2006 research report, *Keeping Pace with K-12 Online Learning: A Review of State-Level Policy and Practice* by John Watson and Jennifer Ryan. The complete report is available through Learning Point Associates Publications ([www.learningpt.org](http://www.learningpt.org)).

The authors identified 22 states with district-level online education programs, including Kansas. We've summarized the information for these states and grouped them based on how strong and comprehensive their online policies and practices were.

**Appendix C  
Summary of Policies and Procedures that 22 States Have in Place for Online Education**

Policy Areas							
State	Assessment Rules	Teacher Certification	Course Content	School / Program Tracking	Technology	Funding	Noteworthy Legislation
<b>STATES WITH STRONG POLICIES (7 STATES)</b>							
<b>KS</b>	Students 18 and under must take proctored state assessments for their grade level.	Licensed personnel must be available to students or parents.	Courses must be aligned with state standards.	Virtual schools must register with the State and turn in annual reports.	N/A	The State only funds students who reside in Kansas and attend a registered virtual program. Programs have to count students on two different count days and verify on-line activity.	N/A
<b>MN</b>	The enrolling district must administer state assessments.	Instruction must be delivered by highly qualified teachers. Statute implements a student load of 40 per teacher.	Courses must be aligned with state standards.	The Minnesota Department of Education certifies public school on-line learning programs annually.	Providers must assist students whose families qualify for the education tax credit to acquire computer hardware and software necessary for on-line learning.	Funding is the same for students taking courses from the district in which they are enrolled. When students take courses from outside their enrolling district, the on-line program only receives 88% of the normal funding. Funding is generated only for students who complete the course.	The Omnibus K-12 Education Act of 2003 (amended in 2006) sets forth a number of policies affecting online education.
<b>OK</b>	Students must take state assessments.	Teachers must be certified in the subject area they teach and be provided in-service training on technology issues.	Course must be aligned to state standards.	The state keeps track of local school board efforts through state accreditation.	N/A	Virtual schools are funded using average daily membership. Local boards set policy for online learning which typically means districts pay for online courses.	N/A
<b>OR</b>	Accountability is handled between providers and districts.	Teachers must be licensed or registered.	Courses must meet academic content standards.	The Oregon Virtual School District lists providers on its website.	N/A	The research article doesn't detail how students at the individual district on-line programs are funded.	SB 1071, passed in 2005, created the "Oregon Virtual School District."

Appendix C Summary of Policies and Procedures that 22 States Have in Place for Online Education							
Policy Areas							
State	Assessment Rules	Teacher Certification	Course Content	School / Program Tracking	Technology	Funding	Noteworthy Legislation
<b>STATES WITH STRONG POLICIES (7 STATES) (continued)</b>							
<b>PA</b>	Students must take assessments.	75% of staff must meet state certification standards.	Curricula used by public cyber charter schools must be aligned with academic standards approved by the State Board of Education.	Cyber charter schools are authorized by the Pennsylvania Department of Education and must submit an annual report and quality review.	Cyber schools must supply students with equipment and provide for or reimburse students for all necessary technology services.	Local school districts provide funding for students enrolled in cyber charter schools based on a per-pupil cost determined by the Pennsylvania Department of Education, but are partially reimbursed for the students they lose to cyber schools.	In 2001, school districts challenged the legitimacy of cyber charter schools, but lost the lawsuit. The Legislature passed Act 88 (2002) to provide more oversight.
<b>TX</b>	All students must take state assessments.	On-line teachers have same certification requirements as teachers in traditional classroom.	Courses must meet the same standards as traditional courses.	The Electronic Course Pilot has extensive reporting requirements.	Schools may loan equipment to their students taking on-line courses but cannot transfer ownership of the equipment.	If a student enrolls and takes courses through a district participating in the Electronic Course Pilot that district may then get foundation funding. To get this funding students must meet the normal attendance accounting rules of the state.	The Electronic Course Pilot was created in 2003 by the passing of SB 1108. The ECP is now codified in Texas educational code.
<b>WA</b>	Students must take state assessments.	Instructional staff must be certified.	N/A	Programs that are primarily online must be accredited.	N/A	FTE funding is generated based on the student making satisfactory progress.	SB 5828, passed in 2005, specifically addresses on-line learning.
<b>STATES WITH MODERATE POLICIES (5 STATES)</b>							
<b>AZ</b>	Students must take state assessments.	N/A	N/A	Each school must provide an annual report to the state which describes numerous aspects of the program.	N/A	On-line schools receive standard FTE funding. When student is dually enrolled, funding is split.	Legislation in 2003 (rev. 2005) created seven public schools and seven charter schools offering on-line courses.

**Appendix C  
Summary of Policies and Procedures that 22 States Have in Place for Online Education**

Policy Areas							
State	Assessment Rules	Teacher Certification	Course Content	School / Program Tracking	Technology	Funding	Noteworthy Legislation
<b>STATES WITH MODERATE POLICIES (5 STATES) (continued)</b>							
<b>MT</b>	School districts handle state assessments.	Each program must have a state-licensed distance learning facilitator that receives in-service training.	N/A	Provider must register with the state and provide program and course descriptions.	N/A	On-line students are calculated when counting the average number belonging for school districts. This number is used for determining state funding.	N/A
<b>NV</b>	N/A	Teachers of core courses must be licensed.	Programs must include at least as many hours of instruction as would be provided under a program consisting of 180 days.	Each on-line program must report to the state each year.	N/A	FTE funding goes to the school district offering the on-line program, but students must get permission from their own school district before taking part in another school district's on-line program.	N/A
<b>NH</b>	Students taking courses for credit must participate in state assessments	N/A	Courses must require students to meet similar academic standards as required by traditional schools.	N/A	N/A	N/A	N/A
<b>OH</b>	Schools must administer all state tests.	Each school must have an affiliation with at least one licensed teacher who can't be responsible for more than 125 students at a time.	N/A	N/A	Each child enrolled in a virtual school is entitled to a computer supplied by the school.	Virtual schools receive funding from the state but aren't eligible to receive poverty-based funding. The state doesn't fund students who failed to take the state assessment two years in a row.	Legislation in 2005 put a moratorium on new virtual schools to address lack of standards, low state assessment participation, funding and other issues.

**Appendix C  
Summary of Policies and Procedures that 22 States Have in Place for Online Education**

Policy Areas							
State	Assessment Rules	Teacher Certification	Course Content	School / Program Tracking	Technology	Funding	Noteworthy Legislation
<b>STATES WITH WEAK OR NO POLICIES (10 STATES)</b>							
<b>AK</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>CT</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>IN</b>	N/A	N/A	N/A	N/A	N/A	N/A	SB 598 allows charters to provide on-line courses but prohibits solely home-based instruction.
<b>MA</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>NE</b>	N/A	N/A	N/A	N/A	N/A	N/A	Distance education legislation passed in 2006, intended to lay the groundwork for future efforts.
<b>NM</b>	N/A	N/A	N/A	N/A	N/A	N/A	New Mexico is planning to create a state-led program using Federal grant money.
<b>NY</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>TN</b>	N/A	N/A	N/A	N/A	N/A	N/A	A grant to fund development of programs starting in 2006.
<b>VT</b>	N/A	N/A	N/A	N/A	N/A	N/A	Created a task-force to address policy questions around distance learning, both video and on-line.
<b>WY</b>	N/A	N/A	N/A	N/A	N/A	The state funds students at \$500 above regular FTE funding for students from districts other than the one providing the on-line program.	The one cyber charter school operates under charter school law that is not specific to on-line learning.

Source: John Watson and Jennifer Ryan Keeping Pace with K-12 Online Learning, 2006.

## **APPENDIX D**

### **Agency Responses**

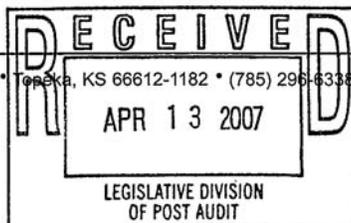
On April 6, 2007 we provided copies of the draft to the Department of Education. We also provided sections of the draft pertaining to the Mullinville virtual school to the superintendents of the Comanche County, Pawnee Heights, and Haviland school districts. The responses we received from the Department and the Mullinville school district are included in this appendix. The other school districts chose not to respond.



## Division of Fiscal and Administrative Services

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April 12, 2007

Mrs. Barbara J. Hinton  
Legislative Post Auditor  
Legislative Division of Post Audit  
800 S. W. Jackson Street, Suite 1200  
Topeka, Kansas 66612-2212

Dear Ms. Hinton:

Thank you for the opportunity to respond to your performance audit, *K-12 Education: Reviewing Issues Related to Virtual Schools*. Listed below are the recommendations applicable to the State Department of Education and our response.

**RECOMMENDATION:** The State Department of Education should establish requirements or develop guidance for how virtual schools should address each of the risk areas.

**RESPONSE:** The Kansas State Department of Education will address these risk issues by appointing a committee to review the risk areas and modify the guidelines to ensure quality programs.

**RECOMMENDATION:** The State Department of Education should require virtual schools to describe the policies and procedures they've adopted to address each of the risk areas as part of their registration application.

**RESPONSE:** Based upon the recommendations of the review committee, the Kansas State Department of Education will modify the virtual school application to reflect the recommendations which will include revision of the application timelines.

**RECOMMENDATION:** The State Department of Education should perform an initial on-site visit to all newly registered virtual schools to verify that they have implemented the policies and procedures described in the registration application. Staff should visit established schools periodically to help ensure that they continue to address the risk areas.

**RESPONSE:** Kansas State Department of Education staff will conduct an on-site visit including an audit of the application prior to opening of any virtual school. Prior to April 1 of each school year, KSDE staff will perform an additional on-site visit with a review/audit of the application for each virtual school opened during that school year.

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April 12, 2007

**RECOMMENDATION:** Once the Department has determined that a virtual school has met all requirements, it should formally notify the school that its registration has been approved.

**RESPONSE:** State Department of Education staff will prepare and send notification to each virtual school that complies with this recommendation.

**RECOMMENDATION:** The State Department of Education should change the due date for the registration application to give Department staff enough time to thoroughly review the application and perform the initial on-site visit.

**RESPONSE:** We concur with this recommendation. It will be reviewed in the immediate future and changes will be in place for the 2007-08 school year.

**RECOMMENDATION:** The State Department of Education should ensure that all registration forms are submitted on time, and are properly filed with the Department.

**RESPONSE:** State Department of Education staff will not approve the opening of any virtual school until all requirements have been fulfilled in the established timeframe.

**RECOMMENDATION:** The State Department of Education should modify the Kansas Individual Data on Students (KIDS) system to include the information that would allow it to readily identify virtual students, their FTE enrollment count, and associated State math and reading assessment scores. At a minimum, that information should include a field showing the virtual school the student attended.

**RESPONSE:** We concur with this recommendation.

**RECOMMENDATION:** Until the KIDS system is modified, the State Department of Education should continue to collect virtual school information through the annual report, but revise the form so schools receive sufficient instruction on how to complete the report correctly, and make certain schools submit fully completed reports in a timely fashion.

**RESPONSE:** The Department of Education will modify the annual report to include instructions for completion of the report to collect the information necessary for evaluating the programs. Every effort will be made to ensure that districts comply with the designated timelines.

**RECOMMENDATION:** The State Department of Education should count virtual students for funding purposes either in the district they attend, or the one in which they live (if there is a legal inter-district agreement, as specified in K.S.A. 72-9233). The Department should notify all school districts of this clarification.

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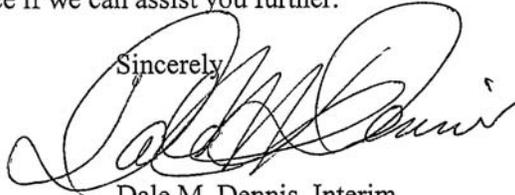
**RESPONSE:** The State Department of Education will amend the audit guide to ensure compliance with this recommendation.

**RECOMMENDATION:** The State Department of Education should modify the KIDS database to include each student's home address so Department auditors can ensure that school districts don't receive funding for out-of-state virtual students.

**RESPONSE:** The State Department of Education will amend the KIDS system as to ensure compliance with this recommendation.

Please feel free to contact this office if we can assist you further.

Sincerely

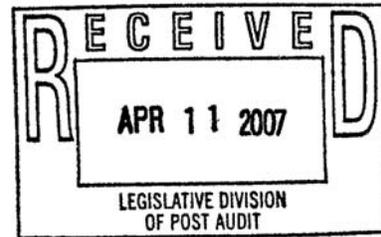
A handwritten signature in black ink, appearing to read "Dale M. Dennis", written in a cursive style.

Dale M. Dennis, Interim  
Commissioner of Education

DMD:tjm

April 10, 2007

To: Legislative Post Audit Committee  
800 Southwest Jacson Street, Suite 1200  
Topeka, Kansas 66612-2212  
From: John Paul Jones – Superintendent, USD424  
Mullinville, KS 67109  
RE: Post Audit Report Findings



A brief overview of how we arrived at this place might be helpful.

In 2000-01 it became clear that USD424 had to do something to stabilize or increase our enrollment if we were to remain a viable Unified School District. With the help of Dr. Kathy Dale, Director of Southwest Plains Regional Service Center, we hit upon the idea of a Virtual School. We believed at the time we might attract 15-20 adults into our school. Little did we know that seven years later we would have close to 500 students and are still growing. As we began to grow, USD300, Comanche County, began to inquire about starting a virtual school. Rather than do that I invited them to take part in ours. Shortly after that Senator Larry Salmans began inquiring about starting a Virtual School in the Hanston/Pawnee Heights area. That is how the Pawnee Heights connection began. In 2000-01 we began a co-operative agreement with Haviland where our High School students attend Haviland High School. Actually, any Haviland students can attend Mullinville and any Mullinville student can attend Haviland and the students would count on the "home" district. With the co-operative agreement in place we addressed the Virtual School enrollment and agreed we would work together to help each district with enrollment and costs.

Now, as to the findings of the Post Audit Legislative Committee, my thoughts are as follows:

I agree that there needs to be better oversight of Virtual Schools. By the same token there needs to be better oversight of Community Learning Centers. Many of the same issues that occur in my Virtual School are found in Community Learning Centers (CLC's).

As the study notes, I realized that when we became a Charter School in 2003-04 that with the \$157,000 that we received with a Charter School Start-up Grant, I could help some small area schools that were having declining enrollment problems. Now that the grant has run out, that help would have become very limited.

I have no problem with limiting my help to only those students who reside in those districts. Nor do I have a problem with having inter-district agreements with the districts we work with.

I do have a problem with funding virtual students at a lower level than regular "brick and mortar" students. Because of my staff's dedication to our students, our travel budget is high. We also have only "Master" teachers which means retired teachers or teacherS with many years of successful teaching experience. Also, with an ever increasing enrollment in our Virtual

School more teachers are needed every year. Expenses occur just as they do in a “brick and mortar” school only in different areas.

One of the problems that we encounter, and that is addressed in the Report, is the Assessment testing. USD424-Mullinville felt that since our Virtual School was doing the teaching we should do the testing and the results should be “credited” to our Virtual School. In those instances students in grades 3-12 in USD300, USD474, and USD496 in the Virtual School were credited to USD424 Virtual School and other non-graded students were assigned to the 3 other participating districts. If each district is given responsibility for testing, some students may not get tested or not be tested accurately.

I, too, understand how schools could take advantage of what were doing and skew the enrollment figures from year to year. That was not done here nor would we do it. If done, it might cost the State more money. In our case, as the Committee Report shows, just the opposite occurred. Had Mullinville kept all of the students our state aid would have been the highest of all four districts.

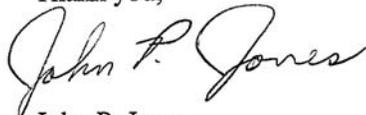
There is evidently a worry that larger district might give students to smaller district thus creating more money in low enrollment weighting. I would think that could be taken care of by the Legislature.

The Legislative Post Audit finds that there is no place in State Law that allows what we have been doing. By the same token there is no law prohibiting it. At least one of our Superintendents thought that was what “home-rule” was all about.

As to what we plan to do. We will do whatever the Legislative Post Audit group decides we should do. We will have agreements in place with other cooperating districts and give them only students in their districts. We will also abide by any further recommendations that they might have.

If you have any questions please feel free to contact me.

Thank you,



John P. Jones  
Superintendent, USD424