The Funding of Virtual Schools in Public Elementary and Secondary Education.

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The Funding of Virtual Schools in Public Elementary and Secondary Education

Luke J. Stedrak, Justin C. Ortagus, and R. Craig Wood

Introduction
The advent of information technology throughout the United States has revolutionized the educational process and sparked the rapid growth of virtual education at the K-12 level in almost every state such that courses in every imaginable subject can now be offered outside the geographic constraints of school districts and traditional brick-and-mortar buildings. Virtual education for elementary and secondary students has grown into a $507 million market and continues to grow at an estimated annual pace of 30%. In 2000, there were approximately 40,000 to 50,000 enrollments in virtual education courses in the 2007-2008 school year was estimated at approximately 1,030,000—a 47% increase over two years. Currently, there are an estimated 3,000,000 enrollments in virtual education courses. By 2006, the Sloan Consortium reported approximately 700,000 enrollments. The overall number of elementary and secondary students enrolled in virtual education courses in the 2007-2008 school year was estimated at approximately 1,030,000—a 47% increase over two years. Currently, there are an estimated 3,000,000 enrollments in online and blended courses in elementary and secondary education. With the dramatic growth of virtual education, state policy and funding issues related to virtual schools have become increasingly important. Such issues include, but are not limited to, equity, access, choice, and cost-effectiveness. Yet, little systematic research exists to assist state policymakers in their decision-making. To that end, this article presents an overview of the type and funding of virtual education by state as a first step in providing policymakers with much needed information.

State Virtual Education Models
Virtual education and its funding can be classified into three models: (1) centralized; (2) publicly-funded; and (3) privately/ publicly-funded. This section describes each of these and places states into the appropriate model. Summary tables provide additional information as to the types of virtual schools and online learning programs available by state, when these were established, and primary funding sources. In addition, examples of each of these models in selected states are described in greater detail.

The Centralized Virtual School Model
The centralized virtual school model is defined as a unified virtual school option for public elementary and secondary education students within a given state—no matter the school district or local authority. Whether full-time or supplemental, state virtual schools are authorized and funded by a state legislature, state education agency, or state board of education. Thirteen states use the centralized virtual school model. Of these, three states—Florida, Michigan, Missouri—also permit private/for-profit and nonprofit alternatives. (See Table 1.) Further detail on the centralized virtual school model in Florida, Idaho, and Alabama is provided in this subsection.

In 1997, the state of Florida created the Florida Virtual School (FLVS), which has become the largest virtual school in the United States. FLVS operations are overseen by a governor-appointed board of trustees. Although the state accommodates private/for-profit and nonprofit alternatives, this is a highly centralized model. Florida statute requires school districts to make virtual education accessible to full-time virtual students from kindergarten through grade 8, or to full-time or part-time students in grades 9-12. As a method of dropout prevention for high school students who struggle in a traditional classroom setting, the legislature amended the statute to expand virtual instruction coverage to grades 9-12. However, state legislators recently reduced per-pupil funding for virtual education by 10%.

Since its inception in 2002, the Idaho Digital Learning Academy, which is the state virtual school, has used a highly centralized model for virtual education. In 2009, Idaho established new funding provisions, incorporating a blend of virtual and traditional instruction, and allowing school districts to use up to 5% of the funding for teacher salaries through the “total support units” formula to afford teachers the opportunity to offer virtual instruction or blended learning options to their students. The state of Idaho defines a virtual school as “...a full-time, sequential program of synchronous and/or asynchronous instruction primarily through the use of technology via the Internet in a distributed environment. Schools classified as virtual must have an online component to the school with online lessons and tools for student and data management.”

Since 2004, all online education activity in Alabama has been mandated through the state virtual school—Alabama Connecting Classrooms, Educators, & Students Statewide (ACCESS). An annual state appropriation comprises the majority of ACCESS

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R. Craig Wood is Professor of Educational Administration and Policy at the University of Florida. He also serves as Chair of the National Education Finance Conference.

Educational Considerations
Table 1
States Using a Centralized Virtual School Model

<table>
<thead>
<tr>
<th>State</th>
<th>Name of State Virtual School</th>
<th>Year Established</th>
<th>Primary Funding Source</th>
<th>Alternatives to State Virtual School</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>ACCESS</td>
<td>2004</td>
<td>State appropriation</td>
<td>None</td>
</tr>
<tr>
<td>Florida</td>
<td>Florida Virtual School</td>
<td>1997</td>
<td>State appropriation</td>
<td>Allows private/for profit and nonprofit</td>
</tr>
<tr>
<td>Idaho</td>
<td>Idaho Digital Learning Academy</td>
<td>2002</td>
<td>State appropriation</td>
<td>None</td>
</tr>
<tr>
<td>Illinois</td>
<td>Illinois Virtual School</td>
<td>2009</td>
<td>State appropriation</td>
<td>None</td>
</tr>
<tr>
<td>Kentucky</td>
<td>Kentucky Virtual Schools</td>
<td>2000</td>
<td>State appropriation</td>
<td>None</td>
</tr>
<tr>
<td>Louisiana</td>
<td>Louisiana Virtual School</td>
<td>2000</td>
<td>State Board of Elementary and Secondary Education</td>
<td>None</td>
</tr>
<tr>
<td>Maine</td>
<td>Maine Online Learning Program</td>
<td>2009</td>
<td>State Department of Education</td>
<td>None</td>
</tr>
<tr>
<td>Michigan</td>
<td>Michigan Virtual School</td>
<td>2000</td>
<td>State appropriation</td>
<td>Allows private-for-profit and nonprofit</td>
</tr>
<tr>
<td>Mississippi</td>
<td>Mississippi Virtual Public School</td>
<td>2006</td>
<td>State appropriation</td>
<td>None</td>
</tr>
<tr>
<td>Missouri</td>
<td>Missouri Virtual Instruction Program</td>
<td>2007</td>
<td>State appropriation</td>
<td>Allows private/for-profit and nonprofit</td>
</tr>
<tr>
<td>Montana</td>
<td>Montana Virtual Academy</td>
<td>2009</td>
<td>State appropriation</td>
<td>None</td>
</tr>
<tr>
<td>North Carolina</td>
<td>North Carolina Virtual Public School</td>
<td>2002</td>
<td>State Board of Education</td>
<td>None</td>
</tr>
<tr>
<td>Wyoming</td>
<td>Wyoming Switchboard Network</td>
<td>2008</td>
<td>State Department of Education</td>
<td>None</td>
</tr>
</tbody>
</table>

Sources: See Appendix A.

funding. For fiscal year (FY) 2009-2010, the state appropriated $22.5 million, a decrease from the previous year. However, in 2008, ACCESS became eligible for $11 million in state education bonds for expansion. 18

The Publicly Funded Virtual School Model

Like centralized virtual schools, publicly funded virtual schools are authorized and funded by a state legislature, state education agency, or state board of education. However, this model differs from the centralized approach in that school districts are afforded the option of choosing from multiple, publicly funded virtual schools as opposed to a single state virtual school. Of the nine states that use the publicly funded model, seven allow both private/for-profit alternatives, while two permit only nonprofit approaches. (See Table 2.) Further detail on publicly funded virtual school models in Arkansas, Ohio, and New Hampshire is provided in Table 2.

Since 2000, the Arkansas Virtual High School (AVHS) has served as the state virtual school.19 Additionally, the Arkansas Virtual Academy is a full-time, statewide charter school.20-21 The Arkansas Department of Education is the funding source for virtual schools and oversees governance and accountability pertaining to virtual education throughout the state.

From 2007 to 2009, AVHS received funding through an annual state department of education grant of $740,000. Funding for the 2009-2010 academic year was reduced to $590,000, which resulted in decreased enrollment.22 The Arkansas Virtual Academy serves grades K-8, but is limited by legislation to 500 students. As a charter school, it receives funds “...equal to the amount apportioned by the district from state and local revenue per average daily membership.”23 This means it is funded through the same student full-time equivalent (FTE) formula as a physical school—$5,905 per student—but it does not receive any funding from local property taxes.24

Ohio enrolls virtual students through 27 eCommunity schools.25 In Ohio, a “community school” is similar to a charter school. An eCommunity school is a charter school which is computer-based, allowing students to work from home.26 Since 1997, the state of Ohio has supported the inception and expansion of community schools as an alternative to the traditional model of public elementary and secondary education school programs.27

Community schools in Ohio, including eCommunity schools, receive the same state per-pupil foundation formula payments as students in face-to-face programs within a school district. In Ohio, the funding allocation for community schools is set at $5,718 per pupil.28 Like all other public schools, community schools may seek...
Table 2
Publicly-Funded Virtual School Model

<table>
<thead>
<tr>
<th>State</th>
<th>Centralized Model</th>
<th>Name of State Virtual School</th>
<th>Year Established</th>
<th>Primary Funding Source</th>
<th>Alternatives to State Virtual School</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>No</td>
<td>None</td>
<td>2008</td>
<td>State Department of Education and Early Development</td>
<td>Allows private/for-profit and nonprofit</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Yes</td>
<td>Arkansas Virtual High School</td>
<td>2000</td>
<td>State Department of Education Grant</td>
<td>Allows nonprofit</td>
</tr>
<tr>
<td>Georgia</td>
<td>Yes</td>
<td>Georgia Virtual School</td>
<td>2005</td>
<td>State Appropriation</td>
<td>Allows private/for-profit and nonprofit</td>
</tr>
<tr>
<td>Kansas</td>
<td>No</td>
<td>None</td>
<td>2008</td>
<td>State Department of Education</td>
<td>Allows private/for-profit and nonprofit</td>
</tr>
<tr>
<td>Minnesota</td>
<td>No</td>
<td>None</td>
<td>2003</td>
<td>State Department of Education</td>
<td>Allows private/for-profit and nonprofit</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>No</td>
<td>None</td>
<td>2007</td>
<td>State Board of Education</td>
<td>Allows private/for-profit and nonprofit</td>
</tr>
<tr>
<td>Ohio</td>
<td>No</td>
<td>None</td>
<td>2003</td>
<td>State Department of Education</td>
<td>Allows private/for-profit and nonprofit</td>
</tr>
<tr>
<td>South Carolina</td>
<td>Yes</td>
<td>South Carolina Virtual School Program</td>
<td>2007</td>
<td>State Appropriation</td>
<td>Allows private/for-profit and nonprofit</td>
</tr>
<tr>
<td>South Dakota</td>
<td>Yes</td>
<td>South Dakota Virtual School</td>
<td>2006</td>
<td>State Department of Education</td>
<td>Allows nonprofit</td>
</tr>
</tbody>
</table>

Sources: See Appendix B.

additional funds from grants, as well as government and private sources. In addition, as charter schools, they may be eligible for state start-up grants and federal planning grants.

Approved in 2007 by the New Hampshire Board of Education, the Virtual Learning Academy Charter School (VLACS) is the sole state-wide online-learning program, although there is a regional online charter school along with 30 high schools that offer online courses. Funding for VLACS is provided by the state board of education and was increased from $3,830 per full-time pupil in 2008-2009 to $5,450 in 2009-2010. In accordance with the New Hampshire General Court, funding for online students follows the student from the resident district to the open enrollment district, and “…[the] pupil’s resident district shall pay to such school an amount equal to not less than 80 percent of that district’s average cost per pupil as determined by the department of education.”

The Privately/Publicly-Funded Virtual School Model

For this model, virtual schools can be funded or authorized by a state legislature, state education agency, state board of education, or private organization. In contrast to the previous two models, this one allows school districts to choose between a publicly funded or privately funded virtual school. Twenty-six states use this virtual school model. Of these, 18 also have a state virtual school. (See Table 2.) Further detail on publicly funded virtual schools in California, Connecticut, and New Mexico is provided in this subsection.

In 1999, University of California College Prep, the state virtual school, was established. Many California virtual schools are supplemental and receive funding based upon average daily attendance (ADA). Charter school law and independent study provisions govern online charter schools in California. In addition, California has a variety of private virtual school options available to public elementary and secondary education students, e.g., Halstrom High School Online, Laurel Springs School, and Sycamore Academy.

In 2008, the Connecticut Department of Education created the Connectict Virtual Learning Center which functions as the state’s virtual school. Initially, the Connecticut Virtual Learning Center received two academic years of funding (2007-2008 and 2008-2009), but the second year of funding was subsequently retracted due to state budget constraints. As a consequence, the Connecticut Virtual Learning Center charged $295 per semester course for public school students, and $320 per semester for private school and home-schooled students.

In 2010, the Connecticut legislature passed Public Act 10-111, which served as the state’s first piece of legislation related to online learning. Alternatives to the Connecticut Virtual Learning Center include the Connecticut Adult Virtual High School, a statewide online program, and a variety of supplementary private school options.

In 2007, the New Mexico legislature passed the Cyber Academy Act creating the state virtual school, Innovative Digital Education and Learning New Mexico (IDEAL-NM). In addition to IDEAL-NM, which is funded through the legislature, private virtual schools like Dora Cyber Academy and New Mexico Virtual School serve public elementary and secondary education students throughout the state.

In 2009, “Graduate New Mexico,” an initiative intended “…to sustain New Mexico’s growing economy and work force” through the expansion of IDEAL-NM, was created. Specifically, “…the Public Education Department will make online courses available to up to 10,000 students that need to make up credits to graduate,” to assist in lowering the state’s high school drop-out rate.
<table>
<thead>
<tr>
<th>State</th>
<th>Centralized Model</th>
<th>Name of State Virtual School</th>
<th>Year Established</th>
<th>Primary Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona</td>
<td>No</td>
<td>None</td>
<td>2009</td>
<td>State Board of Education</td>
</tr>
<tr>
<td>California</td>
<td>Yes</td>
<td>University of California College Prep</td>
<td>1999</td>
<td>State Academic Preparation Program</td>
</tr>
<tr>
<td>Colorado</td>
<td>Yes</td>
<td>Colorado Online Learning</td>
<td>1998</td>
<td>State Department of Education</td>
</tr>
<tr>
<td>Connecticut</td>
<td>Yes</td>
<td>The Connecticut Virtual Learning Center</td>
<td>2008</td>
<td>State appropriation</td>
</tr>
<tr>
<td>Hawaii</td>
<td>Yes</td>
<td>Hawaii Virtual Learning Network</td>
<td>1996</td>
<td>State Department of Education</td>
</tr>
<tr>
<td>Indiana</td>
<td>No</td>
<td>None</td>
<td>2005</td>
<td>State Department of Education</td>
</tr>
<tr>
<td>Iowa</td>
<td>No</td>
<td>Iowa Online AP Academy Iowa Learning Online</td>
<td>2001, 2004</td>
<td>State Department of Education</td>
</tr>
<tr>
<td>Maryland</td>
<td>Yes</td>
<td>Maryland Virtual School</td>
<td>2002</td>
<td>State Department of Education</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>Yes</td>
<td>Massachusetts Online Network for Education (MassONE)</td>
<td>2003</td>
<td>NCLB Title II-D Competitive Grant</td>
</tr>
<tr>
<td>Nebraska</td>
<td>No</td>
<td>None</td>
<td>2006</td>
<td>State appropriation</td>
</tr>
<tr>
<td>Nevada</td>
<td>No</td>
<td>None</td>
<td>2007</td>
<td>State Board of Education</td>
</tr>
<tr>
<td>New Jersey</td>
<td>No</td>
<td>None</td>
<td>2002</td>
<td>State Department of Education</td>
</tr>
<tr>
<td>New Mexico</td>
<td>Yes</td>
<td>IDEAL-NM (Innovative Digital Education and Learning New Mexico)</td>
<td>2001</td>
<td>Legislature</td>
</tr>
<tr>
<td>North Dakota</td>
<td>Yes</td>
<td>North Dakota Center for Distance Education</td>
<td>2000</td>
<td>State appropriation and course fees</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>No</td>
<td>None</td>
<td>2000</td>
<td>State Board of Education</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>No</td>
<td>None</td>
<td>2000</td>
<td>State Department of Education</td>
</tr>
<tr>
<td>Rhode Island</td>
<td>No</td>
<td>None</td>
<td>2010</td>
<td>State Department of Education</td>
</tr>
<tr>
<td>Tennessee</td>
<td>Yes</td>
<td>e4TN</td>
<td>2006</td>
<td>Annually Renewable Federal Grant</td>
</tr>
<tr>
<td>Texas</td>
<td>No</td>
<td>Texas Virtual School Network and Electronic Course Program</td>
<td>2007</td>
<td>Legislature</td>
</tr>
<tr>
<td>Utah</td>
<td>Yes</td>
<td>Utah Electronic High School</td>
<td>1994</td>
<td>State Office of Education Funds</td>
</tr>
<tr>
<td>Vermont</td>
<td>Yes</td>
<td>Vermont Virtual Learning Cooperative</td>
<td>2009</td>
<td>State Board of Education</td>
</tr>
<tr>
<td>Virginia</td>
<td>Yes</td>
<td>Virtual Virginia</td>
<td>2005</td>
<td>State Appropriation</td>
</tr>
</tbody>
</table>

Sources: See Appendix C.
Public school students, including those enrolled in IDEAL-NM and Graduate New Mexico, are funded through the State Equalization Guarantee.42 Local school districts receive funding based upon the number of full-time students who attend each school.43 Graduate New Mexico students who enroll in IDEAL-NM courses are students of the local enrolling school district, but IDEAL-NM provides the course content and the eTeacher. The sole cost incurred by a given school or district is a per-student course fee of $200, which is subsequently applied toward eTeacher compensation.44

Other State Virtual School Models

Delaware and New York are classified as states that have virtual school models that do not fit with the three previously discussed in this section. Delaware does not have a state virtual school, a statewide online program, or an online charter school. As a result, no legislation covers virtual schools in the state.45 However, in 2008, Delaware established online public elementary and secondary education programs designed primarily for credit recovery, but budget issues have stifled the implementation and growth of virtual schools in the state. Specifically, the Delaware Virtual School was launched as a pilot program, offering six online courses through 27 high schools, serving nearly 300 students.46 Due to an $800 million state budget deficit, the pilot program did not receive funding for 2009-2010.47 At present, some districts use vendor courses on a limited basis, and certain high schools participate in the University of Delaware’s Online High School—which serves to provide dual enrollment courses for high school students across the state.48 Currently, there is no state statute in New York regarding virtual schools. However, a public virtual school exists, as does a private virtual school called the Francis School.49 In 2010, the state of New York issued several requests for proposals through legislation that would provide an emphasis on online coursework for public elementary and secondary education students, e.g., student support, professional development, online learning assessment, and the future of online education.50

Summary and Conclusions

The purpose of this study was to provide an overview of virtual education and its funding by states. The results indicated that all states are engaged in the provision and funding of some form of virtual education for public elementary and secondary students. Some states, like Utah, provided a virtual education option, an “electronic high school,” as early as 1994, while others, like Illinois and Maine, created a state virtual school or online learning program as recently as 2009. To provide further clarification, the authors developed a typology of three virtual school models—centralized, publicly-funded, or both privately and publicly-funded. Over half of states use the privately/publicly funded option where virtual schools can be funded or authorized by either a state entity or a private organization. Thirteen states use the centralized virtual school model, which represents a unified virtual school option for public elementary and secondary education students within a given state. Nine states currently use the publicly funded model, one of which gives school districts the option of choosing from multiple, publicly funded virtual schools as opposed to a single state virtual school.

The rapid growth of virtual education presents unique challenges to education policymakers throughout the United States. Due to widespread concerns related to access and equity in public elementary and secondary education, educators have continued to seek funding, through legislation, for virtual schools. Whether a state selects a centralized model or allows each student to choose a public or private virtual school option, the promotion and development of virtual schools in the United States has proven to be a primary issue for public education policymakers.

The cost-effectiveness of virtual schools compared to traditional, brick-and-mortar schools is an ongoing issue for state policymakers and school administrators. Given limited data, financial analysis related to long-term return on investment is difficult. The average startup costs for an elementary and secondary virtual school is approximately $1.6 million.51 Although these costs are significant, the potential for long-term savings is greater than with a brick-and-mortar school because a virtual school does not have the same operational costs—maintenance, utilities, security—and virtual schools typically have fewer teachers and administrators. At the same time, local school districts face additional overhead costs associated with the rapid growth of virtual education. Second, virtual schools that receive payment from school districts for each student enrolled could add to districts’ overhead costs and result in a reduction in efficiency. In addition, when families opt for virtual schools instead of home-schooling, the financial burden shifts to school districts and taxpayers.
One could argue that the unrestricted school choice represented by virtual schools has diluted local political control. By affording parents and students the opportunity to choose between a virtual school or a traditional brick-and-mortar school, virtual schools have become the de facto educational vouchers of the 21st century, ensuring ongoing competition and education reform. However, with the inherent inequity of the digital divide, virtual schools could become the great equalizer, ensuring all students are afforded the same educational opportunities—regardless of socioeconomic status or geographical barriers.

Endnotes
4 Picciano and Seaman, K-12 Online Learning.
5 iNACOL, “Fast Facts about Online Learning.”
7 Clark, Virtual Schools.
8 FRS §1002.37. Pursuant to state statute, “The board of trustees shall be responsible for the Florida Virtual School’s development of a state-of-the-art technology-based education delivery system that is cost-effective, educationally sound, marketable, and capable of sustaining a self-sufficient delivery system through the Florida Education Finance Program.”
9 FRS §1002.45.
11 FRS §1002.45.
15 Ibid.
16 Ibid.
19 Clark, Virtual Schools.
21 As a charter school, the Arkansas Virtual Academy must adhere to state-mandated regulations for charter schools throughout Arkansas.
31 Ibid.
Educational Considerations

35 Ibid.
36 Ibid.
37 Ibid.
39 New Mexico Public Education Department and New Mexico Higher Education Department, New Mexico Cyber Academy Plan (Santa Fe, NM: September 14, 2007). http://ideal-nm.org/docs/NMCA%20Plan.pdf.
42 New Mexico Public Education Department, New Mexico Cyber Academy Plan.
43 Ibid.
47 Ibid.
Appendix A
Sources for Table 1


FRS §1002.37.


Mississippi Code §37-161-3.


N.C. Gen. Stat. §105-134.6(d).


Appendix B

Sources for Table 2


Kansas State Department of Education. “Kansas Approved Virtual Schools/Programs.” http://www.ksde.org/LinkClick.aspx?fileticket=0BJANZlOd3k%3d&tabid=455&mid=6785.


Stedrak et al.: The Funding of Virtual Schools in Public Elementary and Secondary


Sources for Table 3


