

Report Highlights

Cost and Funding Models of a State-led Virtual Learning Program

House Resolution 2010-592 directs the Legislative Budget and Finance Committee to conduct a study of the costs associated with the Commonwealth establishing a Pennsylvania Virtual Learning Program to provide supplemental online courses to school districts. We found:

- **Many PA school districts already offer supplemental virtual learning programs.** Although we found no definitive data, one knowledgeable source estimated that at least 158 school districts have already entered into contracts or other arrangements with for-profit or non-profit providers to offer online courses.
- **Providers of virtual learning courses differ widely in their approach and costs.** Some providers offer only asynchronous courses (stored courses that allow students to work on them any time during the day), while others offer primarily synchronous courses with real-time teachers that must be taken during a specific time period. Some providers offer courses “as is,” while others work with districts to customize their offerings. Providers also vary in the extent to which they use their own in-house teachers versus district teachers. As a result of these and other differences, costs vary widely, from less than \$20 per course enrollment to nearly \$800 per course enrollment.
- **Most states (34) have some type of state-led virtual learning program or online initiative.** PA allows cyber charter schools to operate statewide and award high school diplomas, but PA does not have a state-led virtual school or virtual learning program. We collected detailed information on 16 states and found:
 - Total funding varied from \$87.3 million (Florida) to \$170,000 (Maryland), with a median of \$3.1 million.
 - Student enrollment varied from 127,609 (Florida) to 366 (Maryland), with a median of 3,880.
 - Funding per course enrollment varied from \$1,200 (Missouri) to \$85 (Michigan), with a median of \$429.
- **A 2006 study by Augenblick et. al.¹ estimated a new state-led supplemental program would require start-up costs of \$1.6 million, with ongoing costs of \$304-\$625 per course.**
- **As in PA school districts, virtual learning delivery models vary widely from state to state.** Most (12 of 16) of the states we reviewed offered supplemental-only programs, meaning students must take most of their courses at a brick-and-mortar school. All but one state used a combination of in-house and purchased courses, but the ratio varied widely. Few states offer virtual courses to elementary students, but several allow middle school students to take online courses.
- **States also vary widely on the percent of funding they receive from their state General Fund.** About half the states reported they receive most or all of their funding directly from a state appropriation. The other half receives the majority of funding through tuition payments, typically from a school district.
- **Governance models used in other states include:**
 - *Department of Education-led programs.* Most states operate their virtual school programs through their DOE.
 - *A public or private entity not under the direct control of the state DOE.* Michigan’s Virtual School, for example, is operated by a private nonprofit corporation.
 - *A DOE/Intermediate Unit partnership.* Texas and Illinois are examples of states where regional education agencies manage the statewide virtual learning program.
 - *A newly created state agency.* The Florida Virtual School is an independent entity with a gubernatorial-appointed board.
- **We estimate likely costs to fund a state-led virtual learning program to be on the order of \$15M-\$20M annually.** This estimate, which is based on 50,000 course enrollments, is roughly comparable to the program costs in North Carolina and the per course enrollment costs in Michigan and Connecticut. It is also in line with the Augenblick estimates cited above.

¹*Costs and Funding of Virtual Schools.*