

Department of Legislative Services  
2010 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 1362  
Ways and Means

(Delegate Boteler, *et al.*)

Education, Health, and Environmental Affairs

Education - Public Schools - Virtual Schools

This bill authorizes a local board of education to establish a virtual school, subject to the approval of the Maryland State Department of Education (MSDE). A student who is eligible for enrollment in a public school in the State may enroll in a virtual school. Enrolled students must be provided with a sequential curriculum approved by the State Board of Education and regular assessments. A virtual school must provide the parents or guardians of enrolled students with instructional materials, including software, and information on the closest public facility that offers access to a computer, printer, and Internet connection.

The bill takes effect September 1, 2011.

Fiscal Summary

**State Effect:** General fund expenditures increase by an estimated \$61,400 in FY 2012 for MSDE to hire a contractual employee to develop regulations establishing minimum criteria for the approval of a virtual school. Future year expenditures reflect annualization, regular salary increases, inflation, and the completion of program development by the end of FY 2014. If home school and private school students migrate to public schools with the availability of virtual schools, general fund expenditures for State education aid may increase significantly. Long-term capital costs for public school construction may decrease.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	61,400	67,300	70,200	-	-
Net Effect	(\$61,400)	(\$67,300)	(\$70,200)	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

**Local Effect:** Local school expenditures increase in accordance with local decisions about implementation of virtual schools. Per pupil costs for virtual schools are not expected to be higher than current per pupil costs, and may be lower. Long-term savings for public school construction may be realized.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** A virtual school has to provide each enrolled student access to a sequential curriculum approved by the State board that meets or exceeds the standards adopted by the local board of education in the county of the virtual school's principal place of business. Unless a virtual school can show that a student has demonstrated mastery or completion of the subject area, the virtual school is required to provide the same length of time for learning opportunities per academic year that is required for other public school students. Regular assessment of students in the core areas of instruction is required. The curriculum adopted for virtual schools must have an interactive program with significant online components.

Other than providing instructional materials, including software, a virtual school may not provide funds for the purchase of instructional programs or materials to a student or to a student's parent or guardian.

A virtual school is subject to all applicable federal and State laws and regulations governing the operation of a public school. A teacher employed by a virtual school must have a teacher's certificate issued by the State Superintendent of Schools. A virtual school has to be evaluated each year by its sponsor on demonstrated increases in student achievement and its accountability and viability. A virtual school must maintain an administrative office in the State that will be considered its principal place of business. The State Board of Education must adopt regulations to implement the bill, including establishing minimum criteria for the establishment and approval of a virtual school.

**Current Law:** With the approval of the State Superintendent, a local board of education may establish a public school. On approval by the State Superintendent, a school becomes a part of the State program of public education.

MSDE must provide virtual learning opportunities that include expanded educational choices not otherwise available to students. Virtual professional development opportunities for educational staff must also be provided. MSDE is responsible for developing and procuring online courses and services.

Consistent with local school system policies and procedures, credit may be given for correspondence courses and MSDE-approved online courses. If the credit is to be applied toward minimum graduation requirements, the correspondence course or online course must be provided by the local school system.

**Background:** According to the International Association for K-12 Online Learning, 24 states offered statewide full-time online schools as of fall 2009. These schools are often charter schools, although some noncharter, district-run programs are also available to students. Other states, including Maryland, offer supplemental online courses. There are also online programs run by individual school districts.

In Maryland, supplemental online courses are offered through the Maryland Virtual Learning Opportunities Program (MVLO). MVLO is managed by MSDE and is designed to expand the access of Maryland public school students to challenging curricula aligned to the Maryland Content Standards and other appropriate standards through the delivery of high quality online courses. MVLO offers approximately 62 online courses through the Maryland Virtual School (MVS) in collaboration with the local school systems. While MVS offers online courses, it is not authorized to grant high school diplomas and does not offer a full high school curriculum. Students may only take a course through MVS with the permission of the local school system and their school principal, and credit can only be awarded for MSDE-approved courses. MVLO is designed for use by high school students; Maryland does not offer online learning opportunities designed for elementary and middle school students.

Baltimore County had a virtual school pilot program in 2008 through the *Connections Academy*, which is a company that offers online school courses in partnership with several states. According to the *Baltimore Sun*, the pilot program had 106 students, including 100 home-schooled students and 6 students from the system's home and hospital program. The school offered kindergarten through high school classes and reported a 95% attendance rate.

**State Expenditures:** Before local virtual schools can be established, MSDE has to develop regulations establishing minimum criteria for the establishment and approval of a virtual school. The one employee of the MVLO program cannot absorb another function; therefore, general fund expenditures increase by an estimated \$61,432 in fiscal 2012 to hire a contractual employee to research online programs in other states, establish minimum standards for online schools with input from local school systems, and develop guidelines and regulations for virtual schools.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
New Position	1		
Salary and Fringe Benefits	\$56,950	\$66,762	\$69,699
Start-up/Operating Expenses	<u>4,482</u>	<u>520</u>	<u>525</u>
<b>Total</b>	<b>\$61,432</b>	<b>\$67,282</b>	<b>\$70,224</b>

Future year expenditures reflect a full salary with 4.4% annual increases, 6.8% employee turnover, and 1% annual increases in ongoing operating expenses. There are no additional costs for program development after fiscal 2014.

If local virtual schools are established, MSDE will need additional personnel to monitor the schools and to review and approve online courses as required by Maryland regulations. Currently, MVLO only has one staff person dedicated to managing the program and reviewing online courses.

It is also possible that the implementation of virtual public schools will draw students who would otherwise be home schooled or attend private schools. To the extent that this occurs, public school enrollment counts will increase and general fund expenditures for State education aid will increase accordingly. In fiscal 2010, the State is expected to spend approximately \$6,800 per student in kindergarten through grade 12. There are approximately 140,000 private school students in the State and an estimated 25,000 home schooled children. The number of these students who might transfer to a public virtual school if it were available is unknown but is not expected to be a large proportion of the total.

If a large number of public school students choose to enroll in virtual schools, long-term expenditures on capital projects may decrease due to a reduced number of students attending school buildings. The State and local jurisdictions share the costs of school construction.

**Local Fiscal Effect:** Local school system expenditures for virtual schools will depend on local implementation decisions. Major expenditure categories for systems implementing virtual schools will include teachers, course delivery software, course development and training. If MSDE operates an online school, local school systems may be charged for participating students.

Overall, however, the cost per student for a virtual school, whether it is operated by MSDE or the local school system, may be less than the cost to operate a traditional school. Unless enrollments increase because of the availability of virtual schools, ongoing costs for local school systems with virtual schools will not necessarily be any higher than they are currently. Including federal, State, and local funding available to

schools, local school systems are expected to spend approximately \$14,350 per student in fiscal 2010.

Large enrollments in virtual schools may reduce long-term local school construction costs.

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### **Additional Information**

**Prior Introductions:** HB 1543 of 2009 received a hearing in the House Ways and Means Committee, but no further action was taken.

**Cross File:** None.

**Information Source(s):** Maryland State Department of Education, Garrett and Montgomery counties, International Association for K-12 Online Learning, *Baltimore Sun*, Department of Legislative Services

**Fiscal Note History:** First Reader - March 23, 2010  
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Analysis by: Caroline L. Boice

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510