



MEMORANDUM

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TO: Members, House Education Committee
FROM: Scott Frank, Legislative Post Auditor
DATE: February 20, 2015
SUBJECT: Neutral Background Testimony on HB 2353

I appreciate the opportunity to provide neutral background testimony on HB 2353 which would eliminate an obsolete reference to non-proficient pupils in the virtual school act.

One of the lesser findings of in our January 2015 performance audit of virtual school costs addressed the statutory provision for non-proficient funding for virtual school students. Specifically, the 2014 Legislature eliminated non-proficient funding for traditional schools, but appears to have accidentally left the provisions in state law for virtual schools. We recommended the House Education Committee consider removing the provision for virtual schools from state law, which would make the funding clear and consistent for all schools. HB 2353 would implement this recommendation.

More detailed information from the report itself is included as **Attachment A**.



PERFORMANCE AUDIT REPORT

K-12 Education: Reviewing Virtual Schools Costs and Student Performance

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
January 2015**

Statute Currently Provides a Non-Proficient Weighting for Virtual School Students That Likely Should Have Been Removed

Prior to the 2014-15 school year, districts could receive “non-proficient” funding for any traditional or virtual school student who was not eligible to receive a free lunch, but who scored below the proficient level on state assessments. This funding provision was located in two places in state statute— in one statute it pertained to traditional school students, and in the other statute it pertained to virtual school students.

In 2014, the Legislature eliminated non-proficient funding to school districts but only removed the funding provision from the statute pertaining to traditional school students. The statute pertaining to virtual school students (K.S.A. 72-3715) still provides a 0.25 weighting for non-proficient virtual school students. Staff at Legislative Research told us they thought the legislative intent was for non-proficient funding to be eliminated entirely. Although this weighting remains in statute, KSDE officials told us they have communicated to school districts that they should not expect to receive it.

Districts Did Not Fully Account for All of Their Virtual School Expenditures in the Appropriate Fund as Required by State Law

K.S.A. 72-3715 requires school districts to account for expenditures “directly attributable” to their virtual schools in a virtual school fund. In 2013-14, virtual schools reported a total of \$26.5 million in this fund. However, we found that expenditures reported in this fund likely do not accurately represent all of what districts spent on virtual schools for two reasons:

- **Twenty districts with virtual schools did not include an estimated \$1.2 million in estimated virtual school expenditures in the fund at all.** Most of these districts had few virtual school students, but one had 156 virtual FTE students. That school failed to report almost \$600,000 in virtual school expenditures in its virtual school fund. As a result, even though these expenditures were captured in other funds, the statewide total for virtual school expenditures is somewhat understated.
- **The expenditures that districts reported were inconsistent from district to district and did not always include certain expenditures.** Some districts told us it was time-consuming to allocate costs between traditional and virtual school funds for staff who worked in both places. As a result, these districts often did not allocate any portion of these staff expenditures to their virtual school fund. We could not estimate the total amount of expenditures that were not reported as a result of this issue, but we know the issue contributes to understated virtual school expenditures statewide. Additionally, state statute does not define which expenditures are “directly attributable” to virtual schools and KSDE does not issue any guidance to districts explaining which expenditures should be included in this fund.

As a result of these issues, the amount districts spent on virtual schools in 2013-14 cannot be easily determined.

- b. that students under 18 may not attend school in accordance with state law (page 36).
 - c. that a technology failure will prevent students from doing their school work (page 36).
- 2. To address the other issues with virtual school oversight, the Kansas Department of Education should (question 3):
 - a. require that districts be in compliance with all virtual school requirements before issuing approval to a district (page 36).
 - b. provide guidance to school districts regarding how and when virtual school teacher training reports need to be submitted to KSDE (page 37).
- 3. To address the issues with how districts report virtual school expenditures (question 2), the Kansas Department of Education should issue guidance to school districts explaining what expenditures must be accounted for in the virtual school fund (page 34).

**Recommendations for
Legislative Consideration**

- 1. To address the confusion with non-proficient funding and the issues with including virtual school students in the assessed valuation per pupil calculation (question 2) the House Education Committee and the Senate Education Committee should:
 - a. consider removing the non-proficient funding provision from K.S.A.72-3715 if the intent was to eliminate the funding (page 34).
 - b. consider whether virtual school students should be included in the assessed valuation per pupil calculation (page 32).
- 2. To address the problems we identified with how virtual school are funded (question 2), the House Education Committee and the Senate Education Committee should consider an alternative funding mechanism for virtual schools. Options that could be considered might include providing funding based on course completion, providing block grants to districts operating virtual schools, or providing different levels of funding based on the age of the student.