

Commission on Local Government

Estimate of Local Fiscal Impact
2012 General Assembly Session

Bill: HB 696 **Patron:** Filler-Corn **Date:** January 26, 2012

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

I. Bill Summary

HB 696 provides that local school boards with full-time virtual programs shall receive the proportionate share of direct aid for public education for full-time students based on the jurisdiction of residence of each student.

II. Fiscal Impact Analysis

The Commission on Local Government did not solicit data from localities in the assessment of this bill; however, the Virginia Association of School Superintendents assisted the Commission in obtaining information from local school divisions.

Legislation approved by the 2010 General Assembly created a new framework for virtual schools and online instruction. The Code of Virginia allows school divisions to offer online instruction to students in multiple school divisions by entering into a contract with any private organization, educational institution, or nonprofit virtual school organization that has been approved by the superintendent of public instruction to operate as a multidivision online provider.

A virtual school or online program enrolling fewer than 10 percent of its students from outside the sponsoring school division or consortia of divisions is not required to secure approval as a multidivision online provider. Criteria for approving and monitoring multidivision online providers were approved by the Board of Education in November 2010. These criteria and processes are designed to ensure that Virginia students receive high quality educational services and that instruction and courses offered by multidivision online providers are aligned with the Standards of Learning and presented by highly qualified teachers.

HB 696 amends Va. Code § 22.1-212.27, enacted in 2010, to require that a local school board that either is a multidivision online provider or contracts with a private or nonprofit multidivision online provider receive the proportionate share of direct aid for public education for full-time students enrolled in a virtual program provided by the multidivision online provider.

The bill further requires that the amount of state funds provided to that school board for such students be based on the jurisdiction of residence of each student. In addition, HB 696 provides that no state funds shall be provided to that local school board for students who are not residents of that jurisdiction and who are enrolled in one or more online courses but not in a full-time virtual program.

The apparent intent of this legislation is to provide the proportionate share of direct state aid to the local school board that is sponsoring the virtual program for the full-time students from outside their jurisdiction who are enrolled in the program. The amount of the state funds would be based on each student's jurisdiction of residence, and, presumably, the funds would be diverted from the student's jurisdiction of residence to the local school board sponsoring the virtual program in which the student is enrolled.

Orange County Public Schools (OCSS) noted the availability of alternative programs other than those addressed by this legislation, in which enrollment of students residing in Orange County would not result in a loss of funding to OCSS if HB 696 is approved.

Chesapeake Public Schools responded that it is difficult to determine the loss of revenue if students pursue coursework outside of their school division. They indicated that 50 students at \$7,500 each would result in a loss of \$375,000 in state revenue.

Roanoke City Public Schools (RCPS) stated that the financial impact of this legislation, if enacted, cannot be determined. To the extent that RCPS students enroll full-time in a virtual program provided by a multidivision online provider, the division will realize a loss of revenue equal to state funding for those students.

III. Conclusion

Average daily membership (state funding per pupil) will vary by locality depending upon its Composite Index measure. Localities with a lower ability to pay stand to lose more state dollars per pupil who enroll in a full-time virtual program that is sponsored by another jurisdiction. In 2011, per pupil funding ranged from a low of \$1,300 to a high of \$6,700.

Larger school divisions stand to lose more funding because they could potentially have a larger number of students who enroll in virtual programs in other jurisdictions. The size of school divisions in Virginia ranges from fifteen with fewer than 1,000 students to Fairfax County with approximately 167,000 students.

While HB 696 does not reduce state funding to local schools overall, it could result in the reallocation of funds to school divisions under the above-described circumstances. A given local school division stands to gain additional state funds by administering these types of programs – to the extent that students who reside in other jurisdictions enroll in them full-time. While these gains would be at the expense of other

local school divisions in Virginia, these school divisions would also not be educating the students who are enrolled full-time in another jurisdiction's virtual program.

The total cost per pupil is made up of state and local funds. While the bill addresses how state dollars will be distributed, it does not consider the local share of funding for students who enroll full-time in online programs outside their jurisdiction of residence. It is assumed that the local share would stay with the local school division in which the student resides.