

## MINUTES OF THE SENATE EDUCATION COMMITTEE

The meeting was called to order by Chairman Jean Schodorf at 1:40 p.m. on January 23, 2008, in Room 123-S of the Capitol.

Committee members absent:

Committee staff present: Sharon Wenger, Kansas Legislative Research Department  
Carol Toland, Kansas Legislative Research Department  
Theresa Kiernan, Revisor of Statutes Office  
Matt Todd, Revisor of Statutes Office  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Katrin Osterhaus, Legislative Division of Post Audit  
Dale Dennis, Deputy Commissioner, Kansas Department of Education

**Bill Introduction**

On behalf of State Treasurer Lynn Jenkins, Senator Schodorf requested the introduction of a conceptual bill which would continue the Kansas low income family postsecondary saving accounts incentive program for three years.

Senator Apple moved to introduce the bill, seconded by Senator Pine. The motion carried.

**Review of Legislative Division of Post Audit Report on Virtual Schools**

Katrin Osterhaus, Legislative Division of Post Audit, distributed copies of a report (07PA09) to the Legislative Post Audit Committee entitled, "School District Performance Audit Report, K-12 Education: Reviewing Issues Related to Virtual Schools." In addition, she called attention to copies of a follow-up report (07PA29) entitled, "School District Performance Audit Report, K-12 Education: Determining the Reasons for Variations in Virtual School Costs." Copies of the reports can be obtained from the office of the Legislative Division of Post Audit, 800 SW Jackson St., Suite 1200, Topeka, Kansas. Ms. Osterhaus pointed out that report 07PA09 addressed two questions: (1) How prevalent are virtual schools in Kansas, what do they cost, and how have their students performed? and (2) Do the laws and regulations that govern virtual schools in Kansas provide sufficient oversight, and how do they compare to those adopted by other states? Ms. Osterhaus reviewed the answers to both questions. At the outset, she informed the Committee that Kansas law defines virtual education as K-12 students taking courses over the Internet anytime and any place outside the classroom.

With regard to question one, Ms. Osterhaus noted that Kansas currently has 28 virtual schools throughout the state which provide a variety of educational services to K-12 students, including adults working towards a high school diploma. She explained that there are currently 7 virtual schools and 15 virtual programs offered by school districts, and there are 6 virtual programs offered through service centers. She went on to say that, since the 1998-99 school year, the virtual school population in Kansas has increased from 60 students to about 2,000 students. She reported that, in 8 of the 12 schools districts reviewed, at least 70 percent of the virtual students lived within 30 miles of the school. However, the Mullinville and Elkhart school districts draw most of their students from across the state, as do the three service centers reviewed. She noted that, in general, virtual schools are funded the same way as traditional schools with some exceptions. In 8 of the 9 school districts reviewed, the reported virtual operating expenditures were lower than the traditional operating costs. Because of the reported variations in virtual school costs, the Division of Post Audit conducted a follow-up study (07PA29), which revealed that the costs were being reported somewhat inconsistently. Overall, virtual schools with higher costs typically had more staff and more technology expenditures. She explained that the service centers do not directly receive state funding for students. Instead, virtual students attending schools through service centers are counted in the school district that sent them, and the service centers charge a fee which is typically equal to the base state aid to pupil. As to the performance of virtual school students, Ms. Osterhaus explained that the Post Audit analyzed the portion of virtual students that met or exceeded the state standards and then compared those results to the outcome of the statewide assessment tests for 2005-06. The statewide student population outperformed virtual students in every area except middle school reading. She noted that this comparison had two important limitations. First, the data for the virtual school students was

## CONTINUATION SHEET

MINUTES OF THE Senate Education Committee at 1:40 p.m. on January 23, 2008, in Room 123-S of the Capitol.

very small, which made the results less stable. Second, the two student populations may have other differences, which means they may not have been comparable to begin with.

Ms. Osterhaus noted that question two was approached on two separate levels. First, evaluation of the general oversight that Kansas established for virtual schools. Second, identification of specific risks inherent to virtual schools and then evaluation of the risks and how they were handled at the state and local levels. Regarding the general oversight of virtual schools, it was found that the Department of Education had developed a set of comprehensive policies and procedures. To be eligible to receive state funding, virtual schools must register annually with the Department of Education. The 2005-06 registration form requires virtual schools to describe how they handle numerous requirements in areas of teaching, curriculum standards, accountability, student achievement, and equity in access. In addition, the Department's process includes an initial onsite visit to check how well the virtual school implements these requirements. The Department also requires virtual schools to submit an annual report showing the number of students served and how those students performed on state assessment tests in math and reading. To determine how Kansas oversight programs compare to other states, Post Audit reviewed a comprehensive research report that summarized the oversight policies for online learning programs in all 50 states. The 2006 edition of this report recognized the policies and procedures that Kansas had in place as some of the strongest in the country. However, a deeper look by Post Audit revealed that the Department of Education often did not carry out these policies. For example, the Department had lost track of which virtual schools were registered. One potential reason for this was there was no formal end to the registration process. Ms. Osterhaus further noted that, when Post Audit looked at completed registration forms for each virtual school over the last three school years, almost half of forms were missing for the current school year. In addition, the Department had not conducted onsite visits for any of the six new virtual schools registered with the Department in 2006-07. The Department had documentation on file for onsite visits at only two schools, and many of the annual reports for the past two years were missing or incomplete.

Ms. Osterhaus went on to discuss eight specific risks inherent in operating virtual schools and how Kansas deals with them (chart on page 19 of the report). The risks were grouped into those which the district could address with oversight provided by the Department of Education and those for which the Department is directly responsible. She pointed out that the state only addressed two risks adequately. For several risk areas, the state had adequate guidance in place, but officials made revisions for the 2006-07 school year and, in the process, either relaxed or eliminated much of the guidance. For example, in the area of mandatory student attendance, the Department had previously required virtual schools to show how students had regularly engaged in the program, but that item was eliminated. Post Audit interviewed five virtual schools to determine how they had handled these risks and found that local school districts addressed seven of the eight risks adequately. As far as the Department directly addressing the risk that a district could manipulate virtual schools for financial gain, Post Audit found that the Department adequately addressed only one of the six risks identified (table on page 21 of the report). She further noted that, although state law limits funding for virtual schools to students who live in Kansas, the Department has no way to ensure that virtual students who live outside Kansas are not funded. She also pointed out that virtual schools have an incentive to recruit "non-graded" adult students because they receive funding for them but are not responsible for their performance in reading and math assessments. She noted that, because students are "virtual" and can enroll from anywhere in the state, it would be easier for districts to manipulate them for funding or testing purposes than in a traditional school because they involve changing only the paper record, not physically moving a student. For example, Mullinville's practice of "giving" its virtual students to nearby districts is not allowed by law and highlights the need for better oversight of virtual schools. In general, Mullinville's virtual students should be counted in the Mullinville district's enrollment count for funding purposes. The one exception is for virtual students who live in Haviland because the Haviland and Mullinville school boards entered into an inter-district agreement to combine services for their high school students. She discussed the statistics shown on a chart on page 24 of the report regarding the number of virtual students the Mullinville school district has shared with three nearby districts over the years. Additionally, she called attention to maps on page 26 of the report which showed the location of Mullinville virtual school students "given" to other districts to add to their enrollment counts for funding purposes. She then discussed the reasons the Mullinville Superintendent cited for giving some of the district's virtual school students to other districts. She then outlined some of the ways school districts could take advantage of their ability to readily move virtual students from district to district. In conclusion, Ms. Osterhaus called attention to the Post Audit recommendations for the Legislature to ensure that the state's funding and oversight of virtual schools are

## CONTINUATION SHEET

MINUTES OF THE Senate Education Committee at 1:40 p.m. on January 23, 2008, in Room 123-S of the Capitol.

based on sound policies and practices. She also called attention to the Post Audit recommendations for the Department of Education to help ensure that virtual schools sufficiently address the inherent risks with virtual schools which were identified on page 19 of the report. She then responded to questions from the committee regarding virtual school students.

Dale Dennis, Deputy Commission, Kansas Department of Education, reported that the Department had addressed the Post Audit recommendations shown on page 31 of the report. The Department can now track virtual students, and a staff member has been assigned to visit all virtual school sites and ensure that all applications are in line. Also, attempts are being made to ensure that there are no duplications in enrollment in public schools and virtual schools.

The meeting was adjourned at 2:25 p.m.

The next meeting is scheduled for January 24, 2008.