



SCHOOL DISTRICT PERFORMANCE AUDIT REPORT

**K-12 Education: Determining the Reasons for
Variations in Virtual School Costs**

Executive Summary

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
October 2007**

Legislative Post Audit Committee

Legislative Division of Post Audit

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LEGISLATURE OF KANSAS

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October 30, 2007

To: Members of the Kansas Legislature

This executive summary contains the findings and conclusions, together with the agency responses, from our completed performance audit, *K-12 Education: Determining the Reasons for Variations in Virtual School Costs*.

The report also contains appendices including a complete list of the enrollments for each Kansas virtual school from 1998-99 to 2006-07, and a summary of adjustments we made to virtual school costs.

If you would like a copy of the full audit report, please call our office and we will send you one right away.

A handwritten signature in black ink that reads "Barbara J. Hinton". The signature is written in a cursive, flowing style.

Barbara J. Hinton
Legislative Post Auditor

EXECUTIVE SUMMARY

LEGISLATIVE DIVISION OF POST AUDIT

Question 1: What Factors Contribute to Variations in the Cost of Operating Virtual Schools in Different Districts?

The cost of operating virtual schools can vary significantly.

In our April 2007 audit report reviewing issues related to virtual schools, schools reported operating costs that ranged from less than \$1,300 to almost \$7,500 per FTE student. These costs were self-reported; because of time constraints, we weren't able to assess the reliability of these figures. In this audit, we were asked to explore these costs further and explain the variation.

Much of the reported variation in virtual school operating costs was caused by differences in how schools account for costs. *Because virtual schools in our sample account for their operating costs differently, we had to make a number of adjustments to the data to allow for more accurate comparisons. These adjustments significantly reduced the range in costs, from \$4,055 per FTE before the adjustments to \$2,483 per FTE after. Even after the adjustments, a significant amount of variation remained with Cherryvale's low cost per FTE at \$1,941, and Emporia's high cost per FTE at \$4,423.*

We noticed several other factors that contributed to variations in virtual school costs. *The largest share of virtual school expenditures goes towards compensating the instructional, administrative, and support staff that operate the school. The two high-cost virtual schools, (Emporia and Smoky Valley) had significantly more instructional staff per student FTE than the two low-cost schools (Cherryvale and Wichita). The amount virtual schools reportedly spend on technology, supplies, training, and travel also varied. Curriculum software is one of the key components of a virtual school, and Emporia spent more than the other schools. Computers and related equipment is another technology expense for virtual schools, and Emporia and Smoky Valley spent more than the two low-cost schools.*

The table on the next page shows how much each of the virtual schools spent per students FTE for the 2006-07 school year, broken down into major expenditure categories.

Question 1 Conclusion. *As both of our audits looking at virtual schools have shown, the reported costs to operate virtual schools vary significantly from district to district. While a lot of the variation is caused simply by accounting differences, much of it is due to substantive differences in how the schools operate, including the number of students enrolled in the school, the number of teachers who work for the school, and decisions about the software and computer technology that are used. As we've noted, virtual K-12 education is a fairly new way of teaching, and the decisions schools make in setting up their programs clearly have an effect on how much they spend per student.*

**Virtual School Operating Costs Cost Per Student FTE
2006-07 School Year**

| Cost Category | Low-Cost Schools | | High-Cost Schools | |
|---|------------------|----------------|-------------------|----------------|
| | Cherryvale | Wichita | Smoky Valley | Emporia |
| Instruction | | | | |
| Certified Teachers | \$620 | \$1,267 | \$1,980 | \$1,635 |
| Non-Certified Teachers | \$336 | \$0 | \$918 | \$0 |
| Other | \$9 | \$0 | \$0 | \$0 |
| Instruction Subtotal | \$964 | \$1,267 | \$2,899 | \$1,635 |
| | | | | |
| Administration and Support Staff | \$176 | \$1,164 | \$519 | \$179 |
| | | | | |
| Technology | | | | |
| Computers & Related Equipment | \$72 | \$271 | \$346 | \$393 |
| Software | \$525 | \$271 | \$32 | \$1,874 |
| Communications | \$23 | \$35 | \$0 | \$38 |
| Technology Subtotal | \$620 | \$577 | \$378 | \$2,306 |
| | | | | |
| Other | | | | |
| Building Operations | \$87 | \$0 | \$21 | \$0 |
| Supplies | \$26 | \$74 | \$88 | \$186 |
| Advertising | \$67 | \$0 | \$0 | \$0 |
| Travel | \$0 | \$33 | \$3 | \$60 |
| Professional Development | \$0 | \$0 | \$0 | \$59 |
| Other Subtotal | \$180 | \$107 | \$112 | \$305 |
| | | | | |
| Total Virtual School Costs Per Student FTE | \$1,941 | \$3,116 | \$3,908 | \$4,423 |

Source: LPA analysis of reported virtual school expenditures.

These Appendices can be found in the full report.

APPENDIX A: *Scope Statement*

APPENDIX B: *History of the Number of Virtual Schools and their FTE Student Enrollment*

APPENDIX C: *Summary of Adjustments to Virtual School Costs for 2006-07*

APPENDIX D: *Department of Education and School Districts' Responses*

The Department of Education and the Smoky Valley school district generally concurred with the report's findings and conclusion. The other districts chose not to respond.

This audit was conducted by Brenda Heafey. Scott Frank was the audit manager. If you need any additional information about the audit's findings, please contact Brenda at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or contact us via the Internet at LPA@lpa.state.ks.us.