



The Land
of Confusion

A REVIEW OF ONLINE STUDENT FUNDING

JULY 2022

Executive Summary

Even before the COVID-19 pandemic forced schools into emergency remote learning, about 375,000 students were attending full-time online schools. These schools were operating as charter or district schools in more than 30 states, drawing students from regions or entire states. During the pandemic in school year 2020–21, the number of students in these pre-existing full-time online schools increased by 75%, to more than 650,000 students, and additional states have been approving such schools.

This study reviews available evidence for funding amounts for online students and funding mechanisms for online students. It first presents funding levels and mechanisms in a subset of states, and then explores several different concepts related to online student funding.

As these numbers are presented, it is important to keep in mind that every state has a highly complex formula with an impressive amount of different variables. This study intends to demonstrate broad scale differences while presenting numbers that best represent the general trends and directions of state funding amounts.

State	Virtual/Cyber Charter/Charter Per-Pupil Funding	Percentage of Brick-and-Mortar Funding Fully Online Options in the State Received
Arizona	\$9,200	85-95%
Colorado	\$8,700	85%
Florida	\$5,200	54%
Indiana	\$5,400 + Complexity	85%
Kansas	\$5,600	92%
Ohio	\$6,000	46%
Texas	\$6,000	54%
Utah	\$6,500	63%

Key Takeaways

- *Online schools have expenses that are different than, and in addition to, expenses of physical schools*
- *Counting students for funding purposes is difficult in many states*
- *Understanding online student funding levels is more important than ever*
- *Lower funding for online students limits learning options*
- *Student accounting processes need to be reconsidered*
- *Online school funding should be far more transparent.*

Introduction

Even before the COVID-19 pandemic forced schools into emergency remote learning, about 375,000 students were attending full-time online schools. These schools were operating as charter or district schools in more than 30 states, drawing students from regions or entire states. During the pandemic in school year 2020–21, the number of students in these pre-existing full-time online schools increased by 75%, to more than 650,000 students, and additional states have been approving such schools (Figure 1).

As of March 2022, it is unclear whether or to what extent these numbers will drop to their pre-pandemic levels. Given that most students and families experienced a version of online learning as part of their emergency learning plans during the pandemic, it seems likely that the numbers will remain higher than previous, even as the effects of the pandemic recede. In addition, more districts than ever before are offering their own online schools--perhaps an [additional thousand district schools](#), if not more.

This renewed interest in online schools calls for a refocusing on the level of funding that online students generate. Online student funding varies significantly between different states. Some states fund online students at or very close to the same level as students in physical schools. Other states fund online students at significantly lower levels.

A commonly heard refrain is that online learning is less expensive to deliver because an online school doesn't have brick-and-mortar buildings, physical classrooms, paper books, lab materials, etc.

Some of this thinking is factually wrong. In fact, many online schools deliver physical instructional materials, including books, to their students.

But even when narrowly correct, as in the accurate statement that online schools don't have buildings or physical classrooms that students attend, the thinking behind these statements is exactly backwards. Why?

Because every important academic function that is performed by a physical space or object in a mainstream school must be provided in some form or fashion by an online school, often in the digital realm.

For example, an online school's "classroom" is the learning management system. An online school's access is via a computer, which the school often provides. Books and other instructional materials either remain physical, and must be mailed to students, or must be developed in a digital format. None of this is easy or inexpensive.

In addition, good online instruction relies heavily on teachers. Instruction is not delivered primarily via online content, artificial intelligence or chatbots. Human teachers, who connect with students and often with families, are the main source of instruction. Just as in the physical-world realm, providing high-quality, certified teachers is expensive (as it should be.)

Yet too many policymakers believe that online students should be funded at lower levels than physical school students.

This funding reduction occurs in two main ways. First, some states fund charter schools at lower levels than mainstream district schools. Because many online schools are charter schools, this leads to a reduction in online student funding. In other states, online schools generate lower funding than physical schools, regardless of whether the online school is a charter or district-run school. Regardless of the policy mechanism, the result is that when families select a particular type of education modality (online), the student generates a lower level of funding for the school.

Debates about online student funding tend to focus on three areas:

- Funding *amounts* for online students,
- Funding *mechanisms* for online students, and
- The cost of online schools.

This study reviews available evidence for the first two items in the above list. It first presents funding levels and mechanisms in a subset of states, and then explores several different concepts related to online student funding.

As these numbers are presented, it is important to keep in mind that every state has a highly complex formula with an impressive amount of different variables. This study intends to demonstrate broad scale differences while presenting numbers that best represent the general trends and directions of state funding amounts. The per-pupil amounts are rounded to the nearest hundred, and therefore approximate.

The sources for fully online numbers are provided in Appendix A. Presented calculations are based on one of two state sources. In some states statute or other policy identifies a required percentage. In states where statute does not dictate a required percentage, the brick-and-mortar numbers are from the [National Center for Education Statistics](#) and the most recent data set on state per-pupil funding is from 2018. We recognize that funding has likely increased since 2018, but overall the numbers still show online learning as still being funded at a lower amount than brick-and-mortar, and if those numbers were more recent, an even larger gap in funding would be present.

In addition to our findings through different experts and statutes at the state level, the Government Accountability Office (GAO) released [a study](#) showing that average annual spending per student in online charter schools was \$8,295, spending in brick-and-mortar charter schools was \$10,966, and spending in traditional brick-and-mortar schools was \$13,846.

The school shutdowns that happened at the start of the COVID-19 pandemic exposed many challenges in education, especially related to students with special needs. Many states have special education funding available for online learning, but there is still a discrepancy in funding for this vulnerable student population while still being required to offer the same wrap-around services for these students as a brick-and-mortar district. This is another example of a complex funding issue that is not easily boiled down, but an issue in funding that needs to be addressed.

States with Statewide Fully Online Schools

FIGURE 1: States with statewide fully online schools as of the 2019-2020 school year

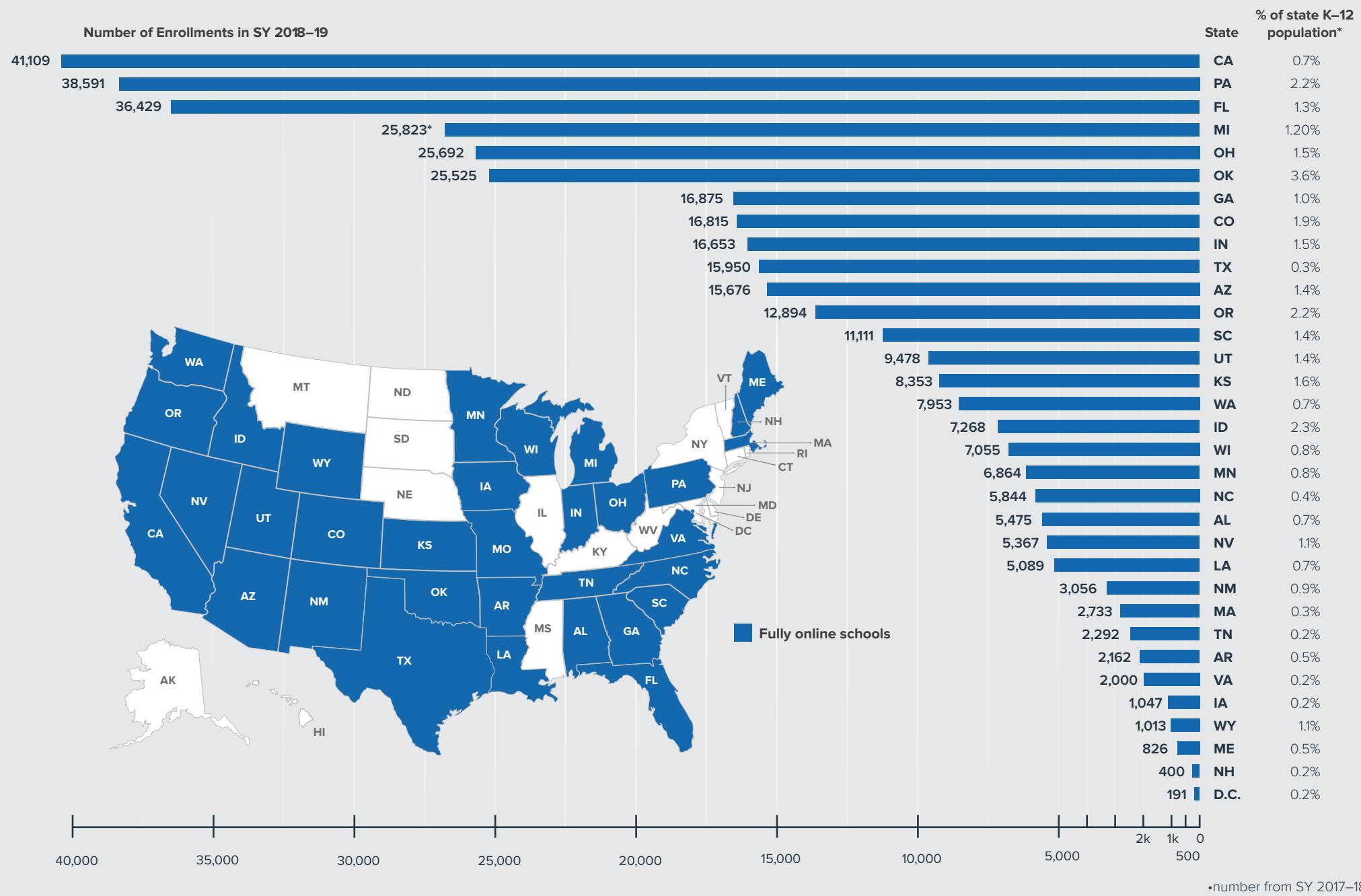


FIGURE 1: States with online schools, and online student enrollments in those states.

Online student funding mechanisms

School funding mechanisms vary by state. Most states broadly use one of the following funding calculation methods for public school students (not just those who are online):

- **Single count day or count period:** Students are counted on a single day each year or across a short period of time.
- **Multiple count days or count period:** Students are counted on a single day or short periods during multiple times throughout the year.
- **Average Daily Membership:** Although each state has their own definition of Average Daily Membership (ADM), it is largely defined as the aggregate days enrollment in a school during a certain period divided by the number of days the school was actually in session during the same period.
- **Average Daily Attendance:** The total number of days of student attendance divided by the total number of days in the regular school year. A student attending every day would equal one ADA. ADA usually is lower than enrollment due to factors such as students missing school for vacation or work, or staying home due to illness.
- **Performance-Based Funding:** Funding is tied to either course completion or a measure of course competency.

These mechanisms are then adjusted for online students in varying ways as described in [School Accountability in the Digital Age](#). Some of these methods are more easily adjusted for online students than other methods.

- Count days—especially the use of a single count day—do not work well as a funding mechanism for online students because of student mobility. When a student is counted for the year as being enrolled in one school and then switches to another school during the school year, typically one school receives all of that student's funding and the other school receives none of it. In addition, for online schools that provide time flexibility in asynchronous learning, getting all students logged in on count days can present a challenge.
- ADA and ADM are generally easier to adapt to online students, again with the caveat that the ways in which online schools must demonstrate attendance or membership varies by state. In some states, record-keeping requirements are extensive and bear little relationship to the full range of online learning activities.
- Completion-based funding has been discussed extensively as a mechanism for funding online students but only a few states have funding based on course completion—and most of these are based on individual courses, not funding of a full-time student. States that have explored funding students via completion of courses have not always addressed fixed costs of full-time online schools including multiple wrap-around services that these schools must provide students. Further, funding full-time schools based on course completion can lead to significant funding inequities particularly for online schools who serve high at-risk student populations.

In addition to these methods, some states apply online-specific counting mechanisms. For example, Arizona counts minutes of instruction for online schools. The [statute](#) states that “each school selected for Arizona online instruction shall ensure that a daily log is maintained for each pupil who participates in Arizona online instruction. The daily log shall describe the amount of time spent by each pupil participating in Arizona online

instruction pursuant to this section on academic tasks. The daily log shall be used by the school district or charter school to qualify the pupils who participate in Arizona online instruction in the school's average daily attendance calculations".

Online student funding levels in a selection of states

State	Virtual/Cyber Charter/Charter Per-Pupil Funding	Percentage of Brick-and-Mortar Funding Fully Online Options in the State Receive
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Table 1 shows funding levels for eight states that represent just under a third of the states with full-time online schools, and include more than half of the total number of students enrolled in online schools across the United States. Each of these states is explained further in the following section.

Key additional findings

Online schools have expenses that are different than, and in addition to, expenses of physical schools.

These expenses include:

- **State testing:** If an online school serves students throughout a state, getting these students to sit for state testing takes significant time and money. Essentially, the school needs to rent and staff testing sites throughout the state. This means renting hotel meeting rooms, tutoring labs, etc. – anywhere that is safe for children and open during school hours. This also means staff to travel to administer tests and ship in extra computers to administer assessments as well.
- **Shipping and providing materials:** Some online schools include many offline materials in their instruction, all of which must be sourced and shipped. Some must also be returned. If an online school provides laptops to students and serves students statewide, this is also a significant investment, which may include the cost of reclaiming the computers at the end of the school year.
- **Each student needs their own class materials.** A set is not shared among a full class.
- **Professional development:** Few teachers were trained in teaching online during pre-service preparation, so online schools usually have higher teacher support costs than traditional schools. Also, online schools don't usually have facilities large enough to provide PD to all of their staff members, and teachers may be geographically remote, so the school must rent facilities and pay staff to commute to the facility for training.
- **Student support and related services:** Students with disabilities are entitled to services whether attending an online or in-person school. Some of these services are especially expensive to provide

in an online setting. One common example is online schools often create a network of speech therapy providers across a state, and may even pay for a physical location for the student and speech therapist to meet in person. Other services entail similar costs.

- **Assistive technology:** Students receiving special education or related services are entitled to assistive technology, such as large monitors for visually impaired students. A physical school may have a small number of such devices that students rotate through during the school day. An online school must provide each student with this technology and somehow get it into the house, ensure it is installed correctly, and provide maintenance and technical support.

There can be a disconnect between policy and practice

While talking with numerous experts in the field to ensure that all of our data was not only correct but also nuanced, we began to see a pattern unfold related to completion-based funding.

We found that policy specialists from some states would report that students were funded at 100% of the traditional brick-and-mortar funding, because that's what the statute dictated, and because equivalent funding was attainable in theory. Online school leaders would respond that they were not funded at the same level as traditional schools because of high rates of student mobility, meaning that their schools served students who did not complete the full amount of courses. The online school leaders also pointed out that traditional schools would not receive the same amount of funding as they currently do if they were held to completion-based funding.

Counting students for funding purposes is difficult in many states

Michigan provides a clear example of how difficult counting virtual students can be. The requirements, taken directly from the pupil accounting manual, are:

“Requirements for Counting in Membership (Cyber Schools) The following requirements must be met to count pupils enrolled in a cyber school program for membership purposes:

- 1) *The pupil meets the membership eligibility requirements pursuant to Section 6(4) or 6(6) of the State School Aid Act (MCL 388.1606) and any other applicable statute.*
- 2) *The pupil shall be enrolled in the participating district and attending on the pupil membership count day or the supplemental count day pursuant to Sections 6(8) and 6a of the State School Aid Act (MCL 388.1606 and MCL 388.1606a).*
- 3) *The pupil shall be registered, enrolled, and participating in the course(s) on the pupil membership count day or the supplemental count day pursuant to Section 6(4), Section 6(8) and Section 6a of the State School Aid Act (MCL 388.1606(4), MCL 388.1606(8), and MCL 388.1606a). Under Section 6(4)(h) of the State School Aid Act (MCL 388.1606(4)(h)), a pupil's participation in the cyber school's educational program is considered regular daily attendance and can be considered membership.*
- 4) *The cyber school provides full-time instruction and each pupil has a schedule based on the school's criteria for a full-time pupil. See the Instructional Time Requirements, Tracking Participation, and Part-Time Memberships section below for more detail.*

5) The pupil must participate in each scheduled course on count day to satisfy the participation requirement. If absent on count day, the pupil must attend and participate in class during the next 10 consecutive school days if the absence was unexcused, or during the next 30 calendar days if the absence was excused.

6) For a pupil who is not learning sequentially, one or more of the following must be met on count day for each scheduled course to satisfy the participation requirement:

- Pupil attended a live lesson from the teacher.
- Pupil logged into a lesson or lesson activity and the login can be documented.
- The pupil and teacher engaged in a subject-oriented telephone conversation.
- There is documentation of an email dialogue between the pupil and teacher.
- There is documentation of activity or work between the learning coach and pupil.
- An alternate form of attendance as determined and agreed on by the cyber school and pupil membership auditor was met.

7) For a pupil using sequential learning, the participation requirement may be satisfied as follows:

- The pupil and the teacher of record or mentor must complete a two-way interaction for one course per week for each week of the four (4) week count period. Two-way interactions must be relevant to the course progress or course content of one of the courses on the pupil's schedule.

-OR-

- The pupil must complete a combination of one or more of the following activities for each scheduled course on count day:
 - Documented attendance in a virtual course where synchronous (live) instruction occurred with the teacher.
 - Documented completion of a course assignment.
 - Documented completion of a course lesson, or lesson activity.
 - Documented pupil access to an on-going lesson; this is not a login.
 - Documented physical attendance on count day in each scheduled course may be used for pupils who will attend at least 50% of the instructional time for each scheduled course, on-site, face-to-face with the teacher of record.

Note: For pupils using sequential learning, "each scheduled course" refers to the courses currently being attempted by the pupil, rather than every course on the pupil's schedule for the entire term. The district must provide proof of payment for each course included on the pupil's class schedule to the pupil membership auditor. If the pupil is taking more than 2 virtual courses, the district, in collaboration with the pupil and following the Department guidance found [here](#), must create an educational development plan (EDP) that reflects the expected attempt dates for all scheduled courses.

Pupils Eligible to be Included in the Count

There are various requirements/conditions students must meet in order to be eligible for funding. A local or intermediate school district may count a pupil for membership if the district has evidence that all the following occurred:

The following requirements must be met to count pupils enrolled in a cyber school program for membership purposes:

- 1) The pupil must meet pupil membership eligibility requirements pursuant to Section 6(4) or 6(6) of the State School Aid Act (MCL 388.1606(4) or MCL 388.1606(6)) and any other applicable statute.*
- 2) The pupil shall be enrolled in the participating district and attending on the pupil membership count day or the supplemental count day pursuant to Sections 6(8) and 6a of the State School Aid Act (MCL 388.1606 and MCL 388.1606a).*
- 2) The pupil shall be registered, enrolled, and participating in the course(s) on the pupil membership count day or the supplemental count day pursuant to Section 6(4), Section 6(8) and Section 6a of the State School Aid Act (MCL 388.1606(4), MCL 388.1606(8), and MCL 388.1606a).*

Under Section 6(4)(h) of the State School Aid Act (MCL 388.1606(4)(h)), a pupil's participation in the cyber school's educational program is considered regular daily attendance and can be considered membership.

- 3) The cyber school provides full-time instruction and each pupil has a schedule based on the school's criteria for a full-time pupil.*
- 4) The pupil must participate in each scheduled course on count day to satisfy the participation requirement. If absent on count day, the pupil must attend and participate in class during the next 10 consecutive school days if the absence was unexcused, or during the next 30 calendar days if the absence was excused. ISMI (grades 9–12) and for MVCA (grades 6–12) both auditors are against using parent recorded attendance or logins.*
- 5) One or more of the following must be met on count day for each scheduled course to satisfy the participation requirement:*
 - Pupil attended a live lesson from the teacher.*
 - Pupil logged into a lesson or lesson activity and the login can be documented.*
 - The pupil and teacher engaged in a subject-oriented telephone conversation.*
 - There is documentation of an email dialogue between the pupil and teacher.*
 - There is documentation of activity or work between the learning coach and pupil.*
 - An alternate form of attendance as determined and agreed on by the cyber school and pupil membership auditor was met.*

-OR-

 - For a pupil using sequential learning, the participation requirement may be satisfied as follows:*

- *The pupil and the teacher of record or mentor must complete a two-way interaction for one course per week for each week of the four (4) week count period. Two-way interactions must be relevant to the course progress or course content of one of the courses on the pupil's schedule. TWC is ONLY going to be used in calculation of membership IF the student had TWC during the count months to claim the student as a full FTE. So, it is going to be used as a secondary source to claim 1 FTE if the students won't receive 1 FTE through the current methods. So, for example, if a student is only at .5 FTE because of activity captured in a course, then we could look at the TWC report to see if there is one TWC for the missing course during the count month. If so, claim them as 1 FTE.*

-OR-

- *The pupil must complete a combination of one or more of the following activities for each scheduled course on count day:*

*Michigan Department of Education 2018–19 Pupil Accounting Manual
Cyber Schools 5-O-C-2o*

Documented attendance in a virtual course where synchronous (live) instruction occurred with the teacher.

Documented completion of a course assignment.

Documented completion of a course lesson, or lesson activity.

Documented pupil access to an on-going lesson; this is not a login.”

Understanding online student funding levels is more important than ever

Although virtual learning has been operating in K–12 education for decades, the recent shift to “emergency remote learning” has now thrust virtual learning into the spotlight. Although the field has not come to complete consensus on the definition of “emergency remote learning,” there is common agreement that much of the online instruction during COVID-19 global shutdowns is not the same as high-quality online learning.

Even though the majority of districts pivoted and moved quickly from in-person instruction to emergency remote learning, virtual offerings appear to be here to stay, which requires states to examine and consider their current funding models to ensure that every student has equitable access to opportunities and every educator has access to high quality professional learning so that emergency remote learning is a thing of the past and there is instead a pipeline of educators prepared to teach effectively and thrive in a virtual learning environment so that students have access to high-quality multiple learning pathways.

Creating equitable funding models is more important than ever

With more districts creating their own online schools, and more students choosing online schools than ever before, funding of online students has become a clear equity issue.

Simply put, the question for policymakers is:

If a family chooses a different instructional model for their child, should that decision lead to the state funding the student at a new and lower level?

There's no clear reason why this should be, particularly as many mainstream districts are discovering that the cost of delivering high quality online and remote learning options is very similar to the cost of traditional instruction.

Lower funding for online students limits learning options

Lower funding for online students limits learning options in two ways.

First, online schools—which have experienced substantial enrollment growth during the last year—are not able to fully fund student support and other resources.

As mentioned above, the idea that online schools are, or should be, built around students working entirely with computers and online content, and without teachers and other caring adults, is simply incorrect. Good online schools combine online tools and resources with professionals—teachers, counselors, and others—who work with students extensively. People are, and should be, expensive. Limiting funding constrains the school's ability to pay for the people who create the relationships with students that are most likely to lead to student success.

Second, as more districts consider adding online and hybrid schools to their offerings for their own students, they are finding that funding restrictions are curtailing their ability to provide a full range of options. A [June 2021 article in Education Week](#) captures these issues well:

“As the spread of COVID-19 dwindles, states are returning to spending patterns that administrators and online providers have concluded will be insufficient for providing students with robust remote learning that can match or even exceed in-person schooling. In many instances, including in Iowa, Wisconsin, and Wyoming, states historically have provided for online students less than two-thirds of the dollar amount each student learning in person gets.

What’s resulted is students using outdated or broken devices, sitting through mind-numbing prerecorded lectures, navigating rote quiz and worksheet assignments, and failing to find meaningful opportunities to interact with their teacher or their peers.

“There is a case to be made that kids who are learning at home require more support, not less,” said Robin Lake, director of the Center for Reinventing Public Education. “They may need more support in social-emotional services, skill development, mental health services, tutoring and interventions, which are expensive.”

These issues are hitting district online schools especially hard. The same Education Week article spotlights a district in Missouri:

"Heath Oates, the superintendent of the El Dorado Springs school district, is in a fiscal pickle. In his rural district in western Missouri where both cell phone and Wi-Fi service is spotty, a substantial portion of his students want to continue learning online next year.

But online education will be academically hazardous for his students and may be financially unsustainable for his district, Oates has concluded... Missouri's legislature essentially gives districts less money for students who learn online, so the more students who choose online learning, the more staff Oates will have to lay off or programs he will have to cut."

The Missouri example is just one of many. According to the [New York Times](#), "Demand for virtual schools has soared. Fulton County Schools in Atlanta, one of the nation's largest school systems, plans to enroll about 1,000 students in its new [online school](#) this fall. The Anchorage School District expects about 2,000 children to attend its year-old online school beginning in August. And in Minnesota, the number of state-approved online schools is on track to double this year to 80 or more, from 37 before the pandemic." These numbers are significant, and state policymakers should be expecting to hear from districts on how to adequately fund their fully online offerings. Districts will be discouraged to offer fully online programs for students who thrive in this environment if it means losing per pupil funding.

Student accounting processes need to be reconsidered

Too many states create onerous requirements for how students are counted for funding purposes. At the worst, some of these processes require mind-numbing record keeping tracking student involvement. Some better examples do exist, however, as reported by an [article in The 74](#).

[Online schools] need clarity in how to consistently report attendance, student performance and other important metrics. The day-to-day schedule of students in hybrid or online learning differs from that of students participating in in-person learning; so should school accountability measures.

For example, to track attendance at Valor Preparatory Academy Arizona, a public hybrid charter school in Goodyear, Arizona, parents log on to their children's portals and record the number of minutes spent in lessons or on assignments. Without concrete guidelines or policies set by state and local governments, schools can select the processes that best work for their families."

Online school funding should be far more transparent

One thing that proved to be true for every state covered in this paper is that there is a definite lack of transparency when it comes to funding formulas. Both brick and mortar and fully online funding are extremely complex with many variables. It is challenging to identify in each state how the formula is calculated, and the foundation of the per pupil funding formula. As districts look to expand instructional models, and fully online schools expand due to higher demand, states must be transparent on how districts and providers receive funding. There is an incredible opportunity to open pathways, increase access to new learning models, and simplify variables so that the formula is easily understood and student funding is more equitable regardless of whether learning is done in a traditional or online classroom – all in an effort to leave the Land of Confusion and move to the Land of Clarity.

Appendix A: Online school funding sources

[Arizona](#)

[California](#)

[Colorado](#)

Florida: Sandra Eggers, Virtual Learning, FDE

[Indiana](#)

[Kansas](#); Mr. Dennis, Former Deputy Commissioner of Finance, Kansas State Department of Education

[Ohio](#)

Texas: Lea Ann Lockard, Principal Consultant & President Elevate e-Learning, LLC, Matt Wicks, Director of School Accountability, Pearson

Utah: DeLaina Tonks, Principal, Mountain Heights Academy

Appendix B: State Examples

Arizona

Fully Online: \$9,200/pupil

Fully online receives 85-95% of Brick & Mortar funding

Arizona [statute](#) provides that “a pupil who is enrolled full-time in Arizona online instruction (AOI) shall be funded for online instruction at ninety-five percent of the base support level that would be calculated for that pupil if that pupil were enrolled as a full-time student (FTE) in a school district or charter school that does not participate in Arizona online instruction. The Arizona Department of Education issued a [memo](#) on FTE guidelines which states, “FTE shall be based solely on subjects a student actually participates in, without regard to hours actually logged. Until the student withdraws or June 30th, FTE may be determined based on the number of subjects in the student’s planned instructional program. ADE will review the applicability of instructional time logged to the determination of FTE. Should instructional time logged be determined to be a necessary component of FTE determination, advance notice of change will be provided.” Charter additional assistance and district additional assistance shall be calculated in the same manner they would be calculated if the student were enrolled in a district or charter school that does not participate in Arizona online instruction.” Although the law states these required percentages, the way the state qualifies a fulltime student can create situations where the state ends up paying out at 85% far more often than 95%.

Arizona logs minutes of instruction for online students. Additionally, in 2003 online and in-person learning was based on ADM. The idea was that both online and brick-and-mortar schools wanted to move closer to online learning that represented true time spent schooling. This conversation prompted the state to change the FTE to if a student participates anyway in online learning, the funding is split between brick and mortar and online. This means that the district will likely receive a much greater percentage of funding than a fully-online provider.

Colorado

Fully Online: \$8,700/pupil

Fully online receives approximately 85% of Brick & Mortar funding

In Colorado, charter schools receive 100% of the Per Pupil Revenues (PPR) or money designated by the state legislature each year for operating expenses, capital reserve and risk insurance. The charter school authorizer may retain up to 5% of documented central administrative costs associated with oversight of the charter school. A charter school may choose to purchase services from their authorizer or a third party.

Beginning in FY 2008–09 and budget years thereafter, the minimum per pupil funding for traditional pupils is 95% of the state average. In the budget year 2018–19, fourteen districts were projected to receive funding based on the Minimum Total Program provision. When Colorado was facing hard financial times in FY 2010–11, an additional factor was included in the school finance formula. This factor acts as a reduction to other existing factors and shall not reduce any base per pupil funding districts receive through the school finance formula. In general, this factor is calculated by first determining the total program prior to application of the Budget Stabilization Factor. Total program for FY2018–19 is estimated to be \$7,761,227,819. The difference between the total program amount prior to application of the Budget Stabilization Factor and the established floor amount of no less than \$7,088,776,204 for total program is utilized to calculate a percentage reduction that is then applied to each district's respective total program funding amount.

Florida

Fully Online: \$5,200/pupil

Fully online receives approximately 54% of Brick & Mortar funding

The Florida funding formula for online students is very complex and is completely different from the brick-and-mortar funding formula. A funding floor is set at \$5230, and the virtual school funding formula that is calculated district by district averages around \$5500. The floor has stayed the same while the base level for traditional schools has gone up over the last few years.

Students enrolled in virtual programs or courses offered by district virtual schools, virtual charter schools and Florida Virtual Schools (FLVS) are funded through the Florida Education Finance Program (FEFP).

In order to equalize funding among the school districts, the FEFP takes into account:

- The local property tax base.
- Costs of educational programs.
- District cost differential (DCD).

The total allocation is based on a statutory formula based on the sum of various FEFP allocations and divided by total FTE enrollment, as shown in the graphic below. Several factors, such as student transportation and class size reduction, are excluded from the [FEFP](#) for virtual students.

Full-time equivalent (FTE) in the FEEP equation is determined by membership surveys at two different times during the year for brick and mortar (surveys 2 and 3) and attendance during the 11-day survey window is the only requirement for funding those brick and mortar schools. FTE for virtual students is estimated during the fiscal year by using the same membership surveys (surveys 2 and 3) and reporting as amended based on successful completions at the end of the year (survey 4). A key aspect of virtual funding is that FTE can only be reported if the student completes the course with a passing grade, earns credit for the course, or meets the course requirements for promotion to the next grade in certain elementary school courses. There is no funding for partial completion of a course. If a student completes 95% of the course and then withdraws, the school district would receive \$0 funding for that student. If the student fails the course they would receive \$0 funding for that student. For example, if a school district has a virtual program with 100 full-time students in it and the students only complete or pass 80% of their courses, they would only generate 80 FTE.

Prior to SY 2021–2022, the Virtual Education Contribution supported virtual instruction for eligible students enrolled in virtual instruction programs which set the FEEP floor at \$5,230, which did not increase for several years, for successful completion for virtual students. The VEC calculation was provided for each district within the FEEP calculations and was often used as a basis for PPR for virtual funding with statewide VIP and charter partner districts. That was eliminated by HB 5101 and a specific formula for Florida Virtual School only was instituted. The bill, however, did not define the formula for other VIP or virtual charter school programs.

Indiana

Fully Online Non-Charter: 100% of foundation but no federal title or property tax

Fully Online Charter: \$5,400 + complexity

Fully online students in charter schools receive approximately **85%** of Brick & Mortar funding (at face-value, but the complexity index creates significant differences among organizations.)

In FY 2019, virtual charter schools were funded at 90.0% of the foundation amount multiplied by the virtual charter school September (fall) ADM for the fiscal year. Indiana has a complexity index that was enacted in 1993 to direct the portion of Indiana's school funding formula that weights per-pupil funding based on five socioeconomic categories within school corporations. It was created to send more money to schools with traditionally disadvantaged student populations. Virtual charter schools receive 100% of the complexity index. There are other virtual schools in Indiana which are not charters, and they are funded at 100% of foundation but receive no federal title or property tax funding.

For FY 2020, the formula takes into account virtual students at school corporations and charter schools. This is different from previous years where the formula took into account virtual charter school students. Beginning with the FY 2020 formula, the foundation amount for a virtual charter school student is 85% of the foundation amount of \$5,548 or \$4,715.80. In FY 2019, the formula used only one ADM count (September) for virtual charter schools to calculate Basic and Complexity Grant funding. Beginning in FY 2020, the formula uses two counts, September and February, to calculate Basic Grant funding for FY 2020 and FY 2021.

Additionally, school corporations or charter schools with virtual charters students are eligible for state funding grants for special education, career and technical education, and honor grants. Since only public school corporations receive property taxes, high-performing and new public charter schools receive a \$750 per student grant outside of the tuition support formula. The total cost of the grant program will be \$22.5M each of the next two school years.

Kansas

Fully Online: \$5,600/pupil

Fully online receives 92% of Brick & Mortar funding

Kansas has a very nuanced [BASE Formula](#), which determines the amount of funding for the traditional brick and mortar per-pupil amount. This is one state where it was more difficult to find the traditional funding than the virtual student funding. On average a BASE traditional student is allocated \$6,037 and the BASE Virtual student is allocated \$5,600. In Kansas, no costs are associated with food service, buildings, sports, etc.

Kansas has a long history of funding formula issues. In 2016, the Kansas Supreme Court Ruled that the legislature failed to provide “fairness of distribution of funds between school districts, leaving unanswered for now the question of whether the Legislature provides enough money overall to meet its constitutional burden of “suitable” provision for public education.” The battle was mostly among brick-and-mortar schools, but as mentioned before, it is a challenge to fund online schools equitably when starting out with inequitable funding in the formula to begin with.

Additionally, in Kansas (and other states) a student may be counted twice, for example, if a Kansas district lost 280 students this year, tax money received by the district would not decrease — they would be paid for the 280 (absent) students. If those students are enrolled in a virtual school elsewhere, the virtual school will also receive state funding.

School finance appropriation for a full time virtual pupil [increased to \\$5,600](#) in the 2022 legislative session. Prior to this legislative session, Kansas funded full time virtual pupils at \$5,000 which was implemented in 2016 with the enactment of the legislative block grant. That was an increase from \$3,852, per full pupil, in light of a 2015 Legislative Post Audit report that surmised full-time virtual pupil should be between \$4,100 and \$5,600. The legislation that created the block grant scheduled an increase for virtual education funding per pupil from \$5,000 to \$5,600 for the 2016–2017 school year. However, this was frozen at the \$5,000 in response to budget concerns during the 2016 special session but is now at that \$5,600 funding level.

The new school finance system for brick and mortar applies an increase equal to the average percentage increase in the consumer price index for all urban consumers in the midwest region as published by the bureau of labor statistics of the United States department. Thus, virtual pupils are the only pupils in the state that do not receive a CPI adjustment, which is 2% on average

Note: Kansas is the only state in this report that did not use NCES data for the traditional per-pupil funding amount.

Ohio

E-School: \$6,000/pupil

Fully online receives approximately 46% of Brick & Mortar funding

In FY19, after considering base funding and other add-ons, e-schools received an average of \$6,000 per pupil (FTE) compared to \$12,900 per pupil on average for brick-and-mortar community schools. The differences in funding for e-schools compared to brick-and-mortar community schools is prescribed in state law and is, in part, predicated on the notion that e-schools have comparatively lower operating costs. In Ohio, E-schools do not receive the funding brick-and-mortar community schools receive for economically disadvantaged and limited English proficiency students. However, virtual schools serve these students and must provide services to them even though they don't receive the related funding.

Ohio has “community schools” which are charters. Each community school student in Ohio receives a base Opportunity Grant of \$6,010. There are additional funding levels for other demographic factors of a child such as special education needs.

Ohio virtual funding accounting became more complicated after 2017 after an attendance lawsuit against a charter. The charter in question struggled to verify to state regulators that its students were participating in school either online or through off-line activities to substantiate the per-pupil aid it received from the state. The issue placed a greater emphasis on how well a school can document attendance rate as well as an additional responsibility on the state to verify participating students. From these two additional state laws have been introduced around truancy and engagement that continues to affect e-school funding.

Texas

Fully Online: \$6,000/pupil

Fully online receives approximately 54% of Brick & Mortar funding

Texas is a complex state when it comes to funding fully online learning. Funding is based on course completion, similar, but not the same as Florida. Texas instead breaks down to:

- 1 Average Daily Attendance (ADA), 0.5 ADA and 0 ADA depending on the number of credits earned:
 - 4 or more courses passed equates to 1 ADA
 - 2–3 courses passed equates to 0.5 ADA and
 - 0–1 courses passed is 0 ADA.

This funding formula has led to much discussion between the state and fully online school leaders. The state says that fully online schools are funded at 100% while those operating schools say that often they ended up getting the .5 FTE or even 0, meaning that it is entirely possible to serve a student for a full course and receive no funding. For this reason, we have listed Texas at 54% based on data between providers in the state.

SB 15 was enacted in 2021 in response to the COVID-19 Pandemic and allowed for LEAs to receive [full ADA for remote instruction](#). Eligible LEAs may offer a local remote learning program under Senate Bill 15 for full funding for up to 10% of their district enrollment. LEAs and students must meet key eligibility criteria to enroll.

The Texas Education Agency (TEA) [outlined](#) every viable fully online option, but the current offerings are only guaranteed only through SY 2022–2023. Currently, districts are at the mercy of the legislature to enact a more permanent solution to offer their own fully online options and keep serving students beyond SY22–23 but there is a [commission](#) working to create a more long-term solution.

Each student is funded at either regular program ADA, special Education (SPED) or coordinated review effort (CRE). SPED and CRE students are counted against Regular ADA at a higher weighted funding rate. Additional funding provided includes Tier II funding, Compensatory Education, School Safety Allotment, Dyslexia Allotment and Bilingual Allotment. These Special Program allotments are based on the applicable student populations.

The Texas Virtual School Network (TXvSN) offers online options in partnership with local districts. TXVSN calculates the average daily attendance of a student by calculating the following:

- hours of contact with the student;
- the student's successful completion of a course; or
- a method approved by the commissioner.

The TxVSN schools are heavily regulated through course approval processes which is an additional expense and are all grandfathered as of January 2013 which means new schools are not coming onboard.

Utah

Fully Online: \$6,500/pupil

Fully online receives 63% of Brick & Mortar funding

Students are funded using different weighted factors at different percentages based on the grade level of the student, similarly to traditional public schools. According to [Edbuild](#), “Utah has a primarily student-based funding formula. It assigns a cost to the education of a student with no special needs or services, called a base amount. It then accounts for the additional cost of educating specific categories through program-specific allocations.” Additionally, “Utah sets a floor and a ceiling for local property tax rates, as well as a level above which voter approval is required. All school districts must levy at least \$1.596 for every \$1,000 in local wealth in FY2018 in order to receive state funding.” A charter school may not charge tuition or require students or parents to make donations and is subject to the same rules regarding school fees as other public schools.