

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 583
Ways and Means

(Delegates Vogel and Miller)

Primary and Secondary Education - Virtual Schools - Alterations

This bill requires, instead of authorizes, each local board of education to establish one virtual school for the elementary, middle and high school bands. A local board of education that determines that it is unable to offer a virtual school on its own is encouraged to collaborate with one or more other local boards to jointly establish a virtual school. The criteria established by the Maryland State Department of Education (MSDE) or a local board of education for enrollment in a virtual school must be reasonable and may not unduly interfere with an applicant's ability to enroll in a virtual school. Finally, the bill specifies that a local board of education's outreach campaign must be equitable. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: To the extent that the bill encourages students who are currently homeschooled or enrolled in a private school to enroll in a virtual public school, general and special fund expenditures increase through the existing per pupil funding formulas. Any impact is likely minimal, as explained below. MSDE can use its existing process and resources to approve additional virtual schools. Revenues are not affected.

Local Effect: For local school systems that do not currently offer a virtual school meeting the bill's requirements, local expenditures may increase, potentially meaningfully. However, if local school systems collaborate, costs may be lower. To the extent that additional students enroll in public schools, State aid for local school systems increase. Furthermore, collaboration may have a minimal impact on local school system revenues and expenditures, as explained below. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Current Law: A “virtual school” is defined as a public school established by a local board or multiple local boards that uses one or more technologies to deliver instruction to its students entirely or primarily online and in which students and instructors participate remotely from separate locations. Only a local board of education or multiple local boards of education under a written agreement may establish a virtual school.

If multiple local boards of education establish a virtual school under a written agreement, the boards must designate a lead jurisdiction. Unless the law or their agreement specifies otherwise, the policies on personnel, instruction, scheduling, and student support in the lead jurisdiction must govern the virtual school.

Establishing a Virtual School

Subject to the approval of MSDE, a local board may establish one virtual school for the elementary, middle, and high school grade bands. MSDE may provide preliminary authorization to a local board of education to establish one additional virtual school on a showing of just cause, as determined by MSDE. MSDE can revoke approval for a virtual school if it fails to meet MSDE regulations the previous school year. A local board has the right to appeal any denial or revocation to the State Board of Education (SBE) during a public hearing.

Virtual schools may not include classes for prekindergarten or kindergarten students and must comply with all federal and State laws and regulations applicable to public schools. Each approved virtual school must be assigned a unique school code by MSDE. While local boards are prohibited from contracting with for-profit companies to operate or administer virtual schools, they are permitted to contract with nonprofit organizations. This restriction does not prevent boards from purchasing goods and services for virtual schools from for-profit companies.

Student Enrollment

A student eligible to enroll in a public school in the State is eligible to enroll in a virtual school. Enrollment applications must include the applicant’s reasons for choosing a virtual learning environment and how it will lead to successful academic outcomes. No more than 10% of students from a single public school in a jurisdiction may enroll in a virtual school during a school year, unless there is a sudden decrease in enrollment or MSDE approves an exception for just cause.

If there are more applicants than available spaces, the local board must use a lottery system to admit students. The lottery may give greater weight to certain students based on

demographic diversity or other criteria established by the local board. Virtual school student bodies should, as much as possible, reflect the socioeconomic, racial, ethnic, cultural, and gender diversity of the local jurisdiction's public school system.

Outreach Campaign

The local board is responsible for developing an outreach campaign to inform the public about the virtual school option. This campaign should encourage applications from students who contribute to diversity and include materials and communications in languages spoken by a significant percentage of the local student population, as determined by the local board.

Virtual School Curriculum Requirements

Virtual schools must provide students with access to a curriculum approved by SBE that meets or exceeds the standards of the local board where the virtual school operates. Students must have the same amount of learning time as public school students unless they demonstrate mastery or completion of a subject. Virtual schools must assess students regularly in core subjects and provide services such as extracurricular activities, athletics (if agreed upon with the student's public school), wraparound services, food and nutrition, and health care services equivalent to those in public schools.

The curriculum must include an interactive program with significant online components and a social and emotional wellness program designed for virtual learning. Virtual schools must follow quality online education standards. MSDE, in collaboration with local school systems, must establish standards for virtual schools, including attendance, engagement, program quality, data usage, and reporting requirements. Local boards must adopt policies requiring students struggling academically in a virtual school to return to in-person instruction after receiving appropriate support.

Federal and State Education Aid

Federal and State education funding is distributed through a variety of formulas (and some competitive grant programs). Much of the funding is distributed based on the number of students with specific characteristics. For example, there is both State and federal aid specifically directed to students with disabilities. Therefore, a local school system receives more federal and State funding for each student with disabilities than for a student without disabilities.

The great majority of direct State aid to public schools (excluding teachers' retirement) is determined by enrollment-based funding formulas found in Title 5, Subtitle 2 of the Education Article. Collectively, the formulas account for a uniform base cost per pupil that

is necessary to provide general education services to students in every school system and address the additional costs associated with educating three student populations: special education students; students eligible for free and reduced-price meals; and students who are English-language learners. Chapter 36 of 2021 established additional major education aid programs.

Most State education aid formulas also entail wealth equalization across counties, compensating for differences in local wealth by providing less aid per pupil to the wealthier counties and more aid per pupil to the less wealthy counties. Although on the whole most State aid formulas are designed to have the State pay roughly one-half of program costs, the State's share for the less wealthy counties is higher than 50%, and the State's share for more wealthy counties is lower than 50%.

State Fiscal Effect: To the extent that the bill encourages students currently homeschooled or enrolled in a private school to enroll in a virtual public school, expenditures increase under the existing per-pupil funding formulas. However, given the prevalence of existing virtual schools in the State, as explained in more detail below, any overall impact is likely minimal.

Local Fiscal Effect: For local school systems that do not currently offer a virtual school meeting the bill's requirements, local expenditures may increase, potentially significantly. MSDE advises that 23 of the 24 local school systems have approved applications for a virtual school, and 17 currently operate a virtual school or program. MSDE further notes that several local school systems are already collaborating to offer virtual programs.

Montgomery County Public Schools (MCPS) estimates that closing its virtual school after fiscal 2024 resulted in an annual savings of approximately \$5 million in direct costs. MCPS also incurred additional indirect costs, such as professional development for virtual school teachers. While MCPS cannot reliably estimate the costs of collaborating with other local school systems to establish a virtual school that meets the bill's requirements, it anticipates potential cost savings.

Baltimore County Public Schools (BCPS) advises that it currently operates a virtual co-enrollment program for students in grades 4 through 12. However, to comply with the bill's requirements, BCPS may need to modify its program to establish a standalone virtual school that includes kindergarten through grade 3. The exact costs of these changes cannot be estimated at this time but may be significant.

To the extent that the bill encourages students currently homeschooled or enrolled in a private school to enroll in a virtual public school, local expenditures will increase under the existing per-pupil funding formulas. However, given the prevalence of existing virtual schools in the State, any such increase is likely minimal.

Additionally, local revenues and expenditures may be affected by collaborative agreements between local school systems to offer virtual schools. The extent of this impact depends on the specific agreements made and the number of students who enroll in such programs.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Association of Counties; Maryland State Department of Education; Baltimore City Public Schools; Anne Arundel County Public Schools; Baltimore County Public Schools; Montgomery County Public Schools; St. Mary's County Public Schools; Department of Legislative Services

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