

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1373
Ways and Means

(Delegate Ghrist, *et al.*)

Education - Virtual Schools - Operation by For-Profit Entities

This bill repeals the prohibition against a local board of education contracting with a for-profit entity to operate or administer a virtual school. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: None. The bill is directed at local school systems and does not materially impact the virtual school approval process for the Maryland State Department of Education (MSDE).

Local Effect: Authorizing local school systems to contract with a for-profit entity to operate or administer a virtual school does not directly impact local finances; however, it gives a local school system the *option* to do so, which may either increase or decrease expenditures. No impact on revenues.

Small Business Effect: Minimal.

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%.

Additional Comments: Twenty-three of the local school systems in Maryland have been approved by MSDE to offer virtual schools and 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 State Department of Education; Baltimore County Public Schools; Montgomery County Public Schools; Department of Legislative Services

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