



February 1, 2014

The Honorable Bill Rogers, Chair House Appropriations
 Subcommittee on School Aid Fund & Education
 Michigan House of Representatives
 891 House Office Building
 Lansing, MI 48909-7536

Dear Chairman Rogers:

Public Act 60 of 2013 requires the Michigan Virtual University (MVU) to submit to the House and Senate appropriations subcommittees on state school aid, the state budget director, and the House and Senate fiscal agencies a breakdown on its actual costs to deliver online educational services to districts and a summary of the actual fees paid by districts for those services based on audited financial statements for the immediately preceding fiscal year no later than February 1, 2014

A breakdown of MVU's actual delivery costs and related revenue from districts for the 2012-13 school year is summarized here:

<u>Cost Areas</u>	<u>MVU Expenses</u>	<u>District Fees</u>
1. Online courses for students	\$ 6,878,085	\$5,019,157
2. Online prof. dev. services for educators	\$ 1,565,741	\$ 68,483
3. Research/capacity building services for schools	\$ 527,568	\$ 0
4. Contract services for schools	\$ 926,030	\$ 958,218
5. General administration	\$ 675,452	\$ 0
	<u>\$10,572,876</u>	<u>\$6,045,858</u>

Also attached please find the audited financial data that provides a detailed explanation of the costs to deliver a single online course and the tuition fees paid by districts for the fiscal year that ended September 30, 2013. This analysis is based on 16,634 online semester-length, instructor-led course enrollments provided by the Michigan Virtual School (MVS).

Approximately 70 percent of the MVS actual expenditures for FY 13 were covered by fees collected from Michigan school districts. Since its inception in 2000 (P.A. 230 of 2000) the fees paid by school districts to enroll students in MVS online courses have been reduced by state and federal appropriation support. Our central goal has been to sustain the operations of the MVS with as little financial impact to Michigan schools as possible.

A financial analysis of the 16,634 online course enrollments provided during the 2012-13 school year reveals a unit cost of \$402 for each regular one-semester MVS online course offering and \$423 in actual costs for each MVS Advanced Placement online course. Schools paid on average \$255 for a regular online course and \$375 for an AP online course. The amount of state appropriation support for each regular online course enrollment equaled \$132.20 and \$13.27 for each AP online course enrollment.

Please do not hesitate to contact my office if you have questions or need additional information about the budget information contained in this communication.

Sincerely,

Jamey Fitzpatrick
 President & CEO

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<p>Michigan Virtual School</p> <p>Explanation of online course delivery costs and fees paid by districts for the 2012-13 school year</p>
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DESCRIPTION	Regular Online Course Enrollments (Plus)	AP Online Course Enrollments
Total 16,634 Online Course Enrollments FY 2013	15,117	1,517
2013 EXPENSES PER ENROLLMENT:		
General Administration and MVS Support	\$ 26.55	\$ 26.55
Courses and Course Development	\$ 32.66	\$ 34.64
Customer Service and Enrollment	\$ 30.11	\$ 30.11
Curriculum and Instruction	\$ 217.06	\$ 236.20
Infrastructure and Support	\$ 55.90	\$ 55.90
Communications and Outreach	\$ 40.00	\$ 40.00
TOTAL EXPENSES PER ENROLLMENT *	<u>\$ 402.28</u>	<u>\$ 423.39</u>
2013 REVENUE:		
Average District Fee Paid Per Enrollment (based on total fees collected of \$5,019,157)	\$ 255.00	\$ 375.00
Average State Subsidy per Enrollment (based on total subsidy of \$2,419,610)	<u>\$ 132.20</u>	<u>\$ 13.27</u>
TOTAL REVENUE PER ENROLLMENT **	<u>\$ 387.20</u>	<u>\$ 388.27</u>
2013 ACTUAL COST PER ENROLLMENT **	<u>\$ 402.28</u>	<u>\$ 423.39</u>
AVERAGE LOSS PER ENROLLMENT	<u>\$ (15.08)</u>	<u>\$ (35.12)</u>

MVS Historical Course Costs Analysis		
Year	Regular	AP
FY 2009	\$401.00	\$459.00
FY 2010	\$446.00	\$449.00
FY 2011	\$394.00	\$385.00
FY 2012	\$347.00	\$373.00
FY 2013	\$402.00	\$423.00
5 year average	\$398.00	\$417.80

* Does not reflect local district expenses such as personal computers for students, school facilities, mentor support for participating students, internet bandwidth services and administrative expenses.

** Based on audited financials