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LEANNE WINNER  
*Director of Governmental Relations*

Dear State Board of Education Members:

This week you will be reviewing and asked to accept a series of recommendations concerning virtual charter school pilot programs from the virtual charter school external working group formed to examine and analyze this issue. NCSBA attended all the meetings of this group and has a number of concerns and comments about the recommendations to bring to your attention based upon our initial reading of the final document that was posted online late today.

#### *Funding*

- NCSBA is pleased to see that the final recommendations set one State dollar per ADM rate for each student who enrolls in the virtual charter. The recommendations had initially proposed funding these pilot virtual charter schools based upon State dollars per ADM of the school district in which the enrolling student resides. NCSBA would caution against any effort to change to a formula that uses dollars per ADM of the home districts as those figures fluctuate widely among school districts, from just below \$5,000 to above \$12,000 and are averaged from multiple allotment streams that weigh a number of local factors such as county size, county wealth, average teacher salaries in the district, percentage of LEP students, etc. Also, based on reports of virtual charter schools engaging in heavy marketing campaigns, using dollars per ADM from the student's home district might lead to targeted recruitment efforts in areas (mostly lower wealth and rural) where per-pupil State ADM is at the higher end of the scale.
- A number of working group members expressed concern over how the high rate of turnover in these virtual charter schools would put LEAs in a position of enrolling a large number of students mid-year for whom they would not be receiving a per-pupil State allotment. This is because of the State's current policy of reallocating State funds only once, after the first month's ADM count. Some members supported some type of procedure to reallocate State funding at the beginning of each semester to adjust for the students who have reenrolled in the public school systems. While staff responded that it would be "very difficult" to reallocate funding by semester, these members responded that the group could still recommend the State consider some method to reallocate funding between LEAs and virtual charters at the beginning of each semester. NCSBA strongly urges the SBE to consider this idea, as

school districts for years have been struggling with the issue of enrolling students who return to their schools from brick-and-mortar charter schools in the middle of the year but not receiving the associated per-pupil State dollars. NCSBA shares the concerns that this would be exacerbated in the context of the high turnover rates of virtual charter schools.

- SBE members should note that the recommendations do not address the issue of State funding for homeschool students enrolling in virtual charter schools. K12, Inc. and Connections Academy reported that they expect approximately 13.6% and 20% of initial enrollees to be homeschool students, respectively. Each one of these homeschool students will be a brand new funding obligation for the State, entitled to the same dollars per ADM as students who previously attended public schools. SBE members are urged to consider the significant expense the State would incur in adding all these new students to the funding rolls.
- NCSBA also supports providing funding not just per semester but  $\frac{1}{2}$  based upon initial enrollment and  $\frac{1}{2}$  based upon completion. There are a few states already using a version of this course completion based model, including Texas and Wyoming.
- NCSBA also notes that Public Impact and iNACOL both support performance-based funding models for virtual schools. SBE members may want to consider experimenting with one of these types of funding models.

#### *Historical Background, Studies, and Meeting Notes*

- NCSBA is concerned that the historical background does not fully document the major events related to virtual charter schools in North Carolina. Most notably, this section omits any discussion of the North Carolina Virtual Academy's (NCVA) 2012 preliminarily approved application and the litigation that came about after the State Board of Education declined to take up the application or any other virtual charter school applications in the 2011-12 fast track application cycle. Staff commented at the February 26 meeting that State Board members were already aware of the NCVA litigation and thus no mention of it was needed in this section. That SBE members may already know about the litigation has no bearing on the fact that the NCVA litigation experience put virtual charter schools back into the state's public policy spotlight after a decade of little to no discussion. The SBE and local school districts were heavily invested in the outcome of the litigation, which restarted the conversation on how these schools are funded, their academic track-records in other states, the unique accountability concerns they present, and other policy challenges. After the trial court reversed the order granting NCVA a charter, the SBE correctly predicted there would be more virtual charter applicants in upcoming application cycles and decided it could not afford to defer action on some of these policy questions, thus leading to the adoption of policy TCS-U-015 and the specialized application for virtual charter applicants. There is also historical significance in the fact that NCVA was just months away from becoming North Carolina's first operational virtual charter school. It should also be remembered that these recommendations are for legislator consumption and there may be some legislators who are not familiar with the NCVA litigation.
- NCSBA believes the recommendations should also acknowledge the numerous other studies that have been done around the country related to virtual charter school academics and other performance metrics. Particularly, SBE members should be aware of a [study](#) of Pennsylvania's charter school system which noted that 100% of the virtual charter schools in the state performed significantly worse than their traditional public school counterparts in both reading and math.
- NCSBA believes there should be some note that the February 21 meeting was not an official meeting due to lack of a quorum.

*Virtual Charter Term*

- NCSBA believes three statewide schools to be too large of a pilot pool. There was a lot of discussion on February 21 about making these pilots regional in nature or having one statewide pilot. NCSBA recommends the SBE suggest either one statewide pilot school or multiple pilots that are regional in nature.
- A four year initial term seems long given the track record of these entities and the fact that this is a pilot program. Some of the concerns voiced during the meetings revolved around whether there would be enough performance data from a three year term because the renewal process would only be able to gauge two full years of data. For pilot purposes 2-3 years to gather data should be sufficient because pilot schools, by definition, should not be going through the same renewal process as full operational charters. Additionally, because these are pilots the SBE will be factoring in a number of other factors into their decision for which there will be full data available by the time these pilots are reviewed. With the mixed results of these schools in other states, NCSBA would suggest a 2-3 year initial pilot term.
- NCSBA also suggests modifying the language of this section to state that the SBE “may” establish a virtual charter school pilot program so that creation of these pilots will be discretionary rather than mandatory.

*Application*

- NCSBA recommends some type of language to require that the application for virtual charter schools disclose other states in which the education management organization is contracting to provide services to virtual charter schools, any current investigation of their schools in another state, any state in which they have lost a charter or not had a charter renewed, any investigation that has been completed where the school or organization was found to be at fault, and any penalty that was assessed.

*Grade Structure*

- There was a lot of discussion at these meetings about whether it was preferable to allow full-time online charter schools to serve the early grades or whether they should be limited to a narrower range in the higher grades. The online education providers claimed that those early grade students are some of their most successful because they are more likely to remain in the school and engaged. Some members expressed skepticism about these claims. SBE members should keep in mind that there is little documented evidence of whether online instructional models are appropriate for younger ages.
- A pilot that serves K-12 seems fairly expansive for a pilot. If the idea is to test the viability of these models, why not limit them to a specified grade band to see if the schools are working as advertised? SBE members should also keep in mind that the original SBE policy and NCVPS both limited the grades served to 6-12.

*Educator Qualifications and Training*

- SBE members may want to consider tightening the language on educator online training by specifying an acceptable baseline level of training. For example, the E-learning commission suggested that teachers of online classes have successfully completed an approved course in online pedagogy, communications and technology, or provide evidence of having obtained these competencies through other experiences.

*Attendance/Withdrawal*

- NCSBA recommends that the SBE add into the recommendations rigorous procedures for monitoring attendance count accuracy and instituting penalties for misreporting. This was a recurring discussion item among some members of the working group. There have been reports in

other states of these types of schools charging for students who were not actually enrolled. Public Impact also reported as one of their study findings that “student enrollment tracking issues in virtual schools need to be addressed.”

- Both the major online schooling providers acknowledged high withdrawal rates at the upper grade levels and attributed much of this to the volume of credit deficient and/or over-age students who enroll for short-term, catch-up purposes only. This formed the basis of the withdrawal rate cap recommendations in the document. Yet there was also discussion among working group members about how it may be more appropriate to establish different withdrawal rate levels by grade spans to allow for that higher threshold in the grades where the temporary enrollees are mainly concentrated while keeping a more rigorous standard in the early grades. SBE members may want to consider this grade-level option.

*Other Comments*

- SBE members should be aware that some of the options for expanding NCVPS that were discussed throughout the meetings include allowing NCVPS to offer its own full-time virtual courses and/or contract with vendors to offer courses. We would urge SBE members to consider some of these ideas to expand student online opportunities through NCVPS rather than recommending virtual charter school pilots.
- The recommendations contain no discussion of the potential impacts of virtual charter schools on NCVPS and the state’s investment in that program. NCSBA believes this is an important consideration that should be taken into account in evaluating virtual charter schools.
- The recommendations omit any discussion or language concerning advertising restrictions, which is something that came up during these working group meetings.
- The recommendations do not have any discussion of access problems that could arise because of lack of technology.
- As a final point, staff seemed to be operating off the premise that the recommendations had to include something affirming virtual charter school operations in the state- either via a pilot or full authorization. It is NCSBA’s reading of Section 8.48 of S.L. 2013-360 that the SBE could recommend against allowing virtual charter schools to be established at all. The SBE could recommend this based upon a combination of their operational history throughout the country, the mixed academic performance track-record, the noncompliance issues that have arisen, the thorny policy questions they cause, and the status of NCVPS as a reliable and successful model of online education delivery that already exists in North Carolina.

Thank you for your thoughtful consideration of this issue.

Sincerely,



Leanne E. Winner  
Director of Governmental Relations  
North Carolina School Boards Association