Public Schools of North Carolina
State Board of Education
Department of Public Instruction

Report to the North Carolina General Assembly

Virtual Charter School Study

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NC DEPARTMENT OF PUBLIC INSTRUCTION
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EXECUTIVE SUMMARY

In 1996, North Carolina first authorized charter schools. This legislation imposed a statewide cap of 100 charters. In 2011, the General Assembly lifted the cap and directed the State Board of Education (SBE) to review and approve quality charters. In 2012, the SBE began working on a policy to address a new type of charter school that serves students via online programs. The SBE passed this policy on "virtual charter schools" in January 2013.

Virtual education is not new to North Carolina. Created in 2007, the state-led North Carolina Virtual Public School (NCVPS) offers supplemental high school courses to public, private, and homeschooled students across the state. NCVPS is the country's second largest virtual school and it continues to expand. Currently in North Carolina, there are no public school options that combine the technological aspects of full-time online learning and the educational innovation of charter schools.

In the past several years, states across the nation have allowed virtual charter schools to proliferate, and some have experienced problems. Those states are reviewing policies and practices to address their respective difficulties. Just as in other states and the nation, the digital education movement has recently grown at an exponential rate in North Carolina.

The State has experienced an ever-growing movement behind charter schools. Virtual charters are a marriage of this public option and the progression towards more digital learning. The option is fairly new and only in recent years has grown to include substantial numbers of students nationwide. Currently, there is very little peer-reviewed research about virtual charter schools. As such, the General Assembly directed the SBE to study this issue and report back with proposed statutory changes and draft rules to potentially govern virtual charters in this state.

To meet this directive, the SBE took steps to provide the General Assembly with a report that combines insights from both national and state perspectives. The SBE contracted with a national leader in education research, conducted a statewide stakeholder survey, and gathered input from a specially convened external working group comprised of education professionals and advocates from across the state. Those steps and thorough contemplation by the SBE enabled this report.

Despite the many discussions, findings, and meetings to address this topic and this study, there are numerous remaining questions about virtual charter schools. Therefore, the SBE wants to be clear that consensus on various aspects of virtual charters has not been reached. Accordingly, the SBE requests that authority to address these issues remain with the SBE.

INTRODUCTION

Digital, online, and virtual learning are no longer endeavors of the future. They are here. North Carolina education is becoming more technologically enabled daily. Entire local education agencies (LEAs) are utilizing 1:1 device initiatives, and the General Assembly has mandated that the State transition to digital materials by 2017. The education-technology world is ever evolving, and no one knows yet how expansive it might become. As the State embraces new methods of education delivery and technological advancements, it is important to remember that each is only one piece of a very large puzzle.

This report on virtual charter schools explains the process that the State Board of Education (SBE) took to fulfill the directive from the General Assembly to study this one innovation, notably a partnership with Public Impact, a statewide survey, and the use of an education stakeholder working group. It details some of North Carolina's history with innovative learning through the State's use of brick-and-mortar charter schools and, more recently, virtual schools at the state and local levels.

In recent years, a number of states have experienced some problems as virtual charter schools expanded rapidly. Some of the most notable struggles from around the country are reviewed, as well as the actions that those states have taken in response. The marriage of charter schools and online learning is fairly new and, albeit growing, has produced very little measurable data and best practices to date. However, using perspectives gained from other states' experiences, North Carolina will be in a better place to foster success.

Currently, there are no credit-bearing schools in North Carolina offering fully online options. Charter schools were designed to promote increased learning opportunities and encourage innovative teaching. Digital education facilitates these same concepts and could provide an individualized option meeting specific education needs of students and families.

Bringing many elements together is a requirement for virtual charter success in North Carolina. Findings collected from other states, stakeholder input, research, presentations, and thoughtful reflections of the State's responsibility are combined in this report.

Notwithstanding these many contributing factors, there are numerous questions about virtual charter schools in North Carolina. Clear consensus about the education, governance, and funding implications of virtual charters does not exist as evidenced by the external working group's discussions and written feedback from several education stakeholder organizations including the NC School Boards Association (attachment #1) and the NC Large District Superintendent Consortium (attachment #2).

The proposed statutory changes and draft rules in this report to the General Assembly reflect the SBE's agreement to develop, adopt, and evaluate a virtual charter school pilot program. The SBE should also retain authority to decide whether virtual charter schools are authorized in North Carolina based on the student performance and achievement data collected.

HISTORICAL BACKGROUND

Since North Carolina's initial charter school legislation in 1996, the law has gone through several changes. The most significant modification was elimination of the 100-school cap in August 2011. Additionally, the 2011 state budget anticipated the existence of virtual charters in North

Carolina by exempting them from oversight by the North Carolina Virtual Public School (NCVPS). Per State law, S.L. 2011-145, NCVPS must approve all virtual courses taught in public schools, except for those taught in virtual charter schools.

With no explicit guidance from the General Assembly about virtual charter school education, governance, or funding requirements, the SBE directed staff to explore the issues. Staff consulted with researchers and stakeholders while gathering information on policies and practices from other states. In January 2013, the SBE adopted TCS-U-015 (SBE policy) to address virtual charter schools.

Virtual charters in 2011 were a very new concept in practice. However, the idea for such a school had been around for nearly a decade. In 2002, the SBE received an application for a virtual charter school. While no virtual charter schools were authorized at that time, ideas about how to deliver education online continued to develop, and NCVPS was created to meet this growing need.

North Carolina Virtual Public School

The North Carolina Virtual Public School opened in 2007, serving over 195,000 students since that first year. It is the nation's second largest state-led virtual school with over 50,000 enrollments in 2013-14 from all 115 LEAs and many charter schools. NCVPS offers over 150 different courses as a supplement to local high school course catalogues and includes Advanced Placement, Occupational Course of Study, electives, traditional, honors, and credit recovery courses.

All courses are taught by teachers licensed in North Carolina and provide strategies for active student engagement through a variety of technology tools. Teachers are required to make personal contact with students and parents regularly to maximize the student-teacher relationship. Courses are free to students who enroll through their local North Carolina high school. NCVPS is available to home school and private school students for a fee.

The law states that the director of NCVPS shall ensure:
1. Course quality standards are established and met.
2. All e-learning opportunities other than virtual charter schools offered by State-funded entities to public school students are consolidated under the NCVPS program, eliminating course duplication.
3. All courses offered through NCVPS are aligned to the NC Standard Course of Study.

NCVPS is a supplemental program and is not a credit-granting or degree-granting institution. As such, the student's face-to-face school awards all credit. Students typically enroll in one or two courses each term with the remainder of their courses taken at their face-to-face school. However, a small number of homebound students take their full course load through NCVPS, yet they are still officially enrolled in their local high school and are granted credit through that school.

Currently, all courses offered by NCVPS are high school level courses, although many middle school students who need high school level opportunities enroll with NCVPS. Development of middle school level courses has begun and will be piloted in 2014-15.

NCVPS is not the only supplemental option in North Carolina for virtual education. Recently, some LEAs have experimented with similar programs on a local level that offer courses to

students in single districts. Because they do not offer courses beyond their borders, they do not fall under the purview of NCVPS.

Local Education Agency Initiatives

Various LEAs throughout North Carolina are developing and offering online courses to students within their district. These LEAs are not allowed to offer courses to students outside of their districts per State law, S.L. 2011-145. Charlotte-Mecklenburg, Granville, Guilford, Iredell-Statesville, Surry (attachment #3), Union, and potentially other school systems are providing online courses locally to maximize access to high quality teachers and courses within their districts to schools across the district.

Participating LEAs are providing access through a combination of their own local online courses, NCVPS courses, and courses from approved external providers. These locally based digital academies are largely using a blended model, which provides education both virtually and in-person. This option could facilitate full-time online learning opportunities to students who are well served by this method. The trend is quickly growing across the state, even attracting homeschoolers in some districts and being used for dropout recovery in others.

Lessons from Other States

Many other states opened virtual charter schools before thoroughly initiating a quality control process and are now, several years and multiple schools into the progression, slowing down to establish clear criteria for successful establishment of schools. Below are a few highlights of virtual school actions occurring across the country within the past several years:

- New Jersey. Although granting conditional approval two years ago, the State has denied final permission for two virtual charters to open. The rationale was "legal and practical implications" since the State's charter school law never anticipated this type of charter school.[1] [2] [3]
- Oklahoma. Legislation created the totally separate Statewide Virtual Charter School Board, whose sole purpose is to oversee statewide virtual charter schools. This body, which is the only avenue for a virtual charter school in Oklahoma, is the authorizer and sponsor of virtual charter applications with final approval from the State Board of Education.[4]
- Pennsylvania. The Auditor General of the Commonwealth has requested changes in funding structure for its cyber charter schools. This action could potentially save the State $365 million a year through smaller allotments better aligned with lower operating costs.[5]
- Tennessee. The State has initiated efforts to ensure quality of the virtual schools, which are not charter schools, including restricting expansion unless performance requirements are met and closure for prolonged substandard results.[6]

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[1] Brody, L. (2013, June 04). N.J.'s Education Commissioner Scuttles State's Proposed 'Virtual' Charter Schools. *NorthJersey.com*. Retrieved from http://www.northjersey.com/news/NJs_education_commissioner_scuttles_states_proposed_virtual_charter_schools.html

[2] Cerf, C. D. New Jersey Department, (2013). Retrieved from State of New Jersey website: http://choicemedia.tv/wp-content/uploads/2013/07/New-Jersey-Virtual-Academy-Denial-Letter.pdf

[3] Cerf, C. D. New Jersey Department of Education, (2013). Retrieved from State of New Jersey website: http://choicemedia.tv/wp-content/uploads/2013/07/New-Jersey-Virtual-Academy-Denial-Letter.pdf

[4] *Statewide virtual charter school board.* (2012). Retrieved from http://www.ok.gov/sde/statewide-virtual-charter-school-board

[5] Halvonik, S. Department of the Auditor General, (2012). *Auditor General Jack Wagner Says Fixing PA's Charter School Formula Could Save $365 Million a Year in Taxpayer Money.* Retrieved from State of Pennsylvania website: http://www.auditorgen.state.pa.us/Department/Press/WagnerSaysFixingPA'sCharterSchoolFormula.html

VIRTUAL CHARTER SCHOOLS STUDY

Directive from the General Assembly

During the 2013 legislative session, the North Carolina General Assembly tasked the SBE to study virtual charter schools and report back with draft rules and proposed statutory changes, per State law, S.L. 2014-360:

> ***STUDY VIRTUAL CHARTER SCHOOLS***
> ***SECTION 8.48.*** *The State Board of Education shall study and determine needed modifications for authorization and oversight of virtual charter schools, including application requirements, enrollment growth, and funding allocations, and shall prepare these recommendations in the form of draft rules and proposed statutory changes.*

Process

The Chair of the SBE directed the Office of Charter Schools (OCS) to create an overall work-plan to study virtual charter schools. OCS created and shared an initial strategy with an internal ad hoc group of individuals from the SBE office and the Department of Public Instruction (DPI). These members suggested the need for (1) a national review of the virtual charter school scene and (2) North Carolina-specific data collection.

To facilitate both of these needs, the SBE contracted with Public Impact – a national education policy and management consulting firm based in Chapel Hill, NC. For 15 years, Public Impact has provided advice and conducted research and analysis for leading foundations, nonprofits, states, districts, and other organizations engaged in the reform of public education. The team includes a diverse set of individuals with extensive backgrounds in teaching, evaluation, law, business, and education policy and research. Recently, Public Impact completed a national virtual schooling study (attachment #4).

While the national perspective is valuable, the SBE also wanted to attain a North Carolina-specific perspective on potential issues presented by virtual charter schools. Staff from SBE/DPI with the assistance of Public Impact prepared a survey (attachment #5). When finalized, the survey was sent to as many stakeholders, including local superintendents, charter schools, educational policy groups, home school parents, private school parents, and charter support groups. These stakeholders were provided 30 days to submit their answers. Upon official closing of the survey, Public Impact analyzed the results.

The internal ad hoc group also recommended that an external stakeholder group be formed to provide additional perspective outside the agency. These stakeholders offered unique and insightful viewpoints on virtual charter schools and surrounding concepts. The members of this group were:

- Educator Stakeholder
    - o Darcy Grimes – 2013 North Carolina Teacher of the Year, Watauga County, NC
- Charter School Stakeholders
    - o Dave Mahaley – Principal, Franklin Academy, Wake Forest, NC
    - o Lisa Springle – Teacher, Raleigh Charter High School, Raleigh, NC, and Board Chair, Endeavor Charter School, Raleigh, NC

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[6] AP. (2013, September 01). Data shows virtual academy falls short a 2nd year. *knoxnews.com*. Retrieved from http://www.knoxnews.com/news/2013/sep/01/data-shows-virtual-academy-falls-short-a-2nd/

o Dr. Barbara Stoops – Executive Director, Palmetto State Virtual e-Cademy, Columbia, SC
- Home School Stakeholder
  o F. Spencer Mason – Legislative Vice President, North Carolinians for Home Education, Raleigh, NC
- LEA Stakeholders
  o Dr. Darrin Hartness – Superintendent, Davie County Schools, Mocksville, NC
  o Dr. Tim Markley – Superintendent, New Hanover County Schools, Wilmington, NC
- Higher Education Stakeholder
  o Dr. Glenn Kleiman – Executive Director, The Friday Institute, Raleigh, NC
- Parent Advocate Stakeholder
  o Darrell Allison, Parents for Educational Freedom of North Carolina, Raleigh, NC

This external group met multiple times in open meetings to review data, ask questions related to virtual charters, and offer input from their particular perspectives. Much of the discussion focused on existing virtual charter school policies to formulate suggestions for SBE consideration. A brief summary of those meetings is outlined below:

1. December 13, 2013. Public Impact presented the national data on virtual charter schools and then provided a specific analysis of the North Carolina survey. Their presentation concluded with policy implications and recommended discussion questions for future meetings (attachment #6).
2. January 10, 2014. The meeting largely consisted of a presentation by the International Association for K-12 Online Learning (iNACOL) related to funding models, accountability measures, and student attendance (attachments #7 and #8). There were many questions from members. Following that presentation, OCS shared the current SBE policy on virtual charter schools that also includes an application specifically for virtual charter schools (attachment #9).
3. January 28, 2014. The meeting began with presentations from the two largest virtual charter school operators – Connections Academy (attachment #10) and K12, Inc. (attachment #11). Their information focused on the existing SBE policy and operations/practices in other states where they have schools. The presentations led to many questions from the group, which transitioned them into having more specific conversations.
4. February 21, 2014. The meeting provided an opportunity for the working group to coalesce and discuss all previously provided information from both material sources and presentations. Thoughts from the group were collected.
5. February 26, 2014. This meeting was conducted via webinar. A draft of the report and collection of thoughts to that point were distributed to members of the working group. The members engaged in lengthy discussion over specific guidelines.

The process to create this report involved many diverse perspectives and employed various methods to reach interested parties – a statewide survey, an external working group, numerous presentations, conversations with DPI staff, and thoughtful contemplation by the SBE. Undoubtedly, both the SBE and General Assembly desire the growth of high-quality public school options that may include virtual charter schools, but implementation must be shaped by quality-focused standards and expectations.

FINDINGS

Statutory Changes

Authority

There has been some question of whether or not the SBE has the authority to authorize virtual charter schools, as State statutes have not provided direction about this type of school. It is also unclear whether or not the SBE has authority to dictate a funding formula different from that of other public schools.

Statutory changes can make clear that the SBE has the authority to authorize credit-bearing virtual charter schools. Subsequently, the Legislature could allow the SBE to study various types of funding models and select a formula that addresses virtual charter schools specifically. Proposed statutory changes should not mandate that the SBE create virtual charters, but should allow for creation of a pilot program before a charter is awarded if the SBE exercises this authority.

Via a pilot program, the SBE would be able to manage and monitor the progress of included schools and collect data. Observations will indicate if requirements placed on these schools will foster successful education outcomes in North Carolina.

State Funding

State brick-and-mortar charter school funding is provided directly to individual charter schools from DPI based on average daily membership (ADM) ($5,188 average in FY 2013-14). The amount, which varies from district to district, is subtracted from the LEA where a student would normally attend. The DPI Finance and Business Division separates each charter school's funding into its own independent account. DPI collects enrollment information from the charter school and makes the proper allotment before the school year based on projected enrollment and which districts students will come from. The money is subtracted from a student's home LEA allotment and is added to this account. After 20 days into the fall semester, there is an enrollment count and subsequent true up for funding.

LEAs experience great variation in state-based funding, contingent upon factors that qualify them to receive additional ADM allotments, e.g. "Small County" (ranging from $440 to $2,937.36 in FY 2013-14) and "Low Wealth" (ranging from $34.56 to $735.91 in FY 2013-14). These allotments are provided to increase equity for LEAs across the State, particularly in rural areas that do not have great capacity for raising additional local funds.

If funding were set as the minimum yearly state base ADM, it would be $4,779.19 in FY 2013-14. This amount does not account for district-based allotments, such as 'Small County' and 'Low Wealth.' However, in any funding model, schools should receive exceptional children (EC) and limited English proficient (LEP) funding. Headcount of the school would determine EC and LEP funding ($3,761.75 and $368.27, respectively, in FY 2013-14).

During presentations to the working group, iNACOL recommended funding at 93-95% of traditional models. Their recommendation accounts for overhead costs to cover information technology and infrastructure needs accounting for higher than often-expected figures. iNACOL asserts technology costs to be approximately 25% of total per-pupil expenditures for an online education.

School funding in North Carolina differs greatly in both amount and source, and by location. As such, virtual charter schools could be funded in a myriad of ways. To determine an amount, applicants for a pilot could propose funding based on their individual education, business, and governance plans through a request for proposal (RFP) process. Using the information received, the SBE would determine an appropriate funding amount for pilots and request the General Assembly to use that amount specifically for these schools.

The study process has revealed that many questions surround funding for virtual charter schools. A specific direction on funding amount and method were not reached by either the external working group or the SBE.

Local Funding

Brick-and-mortar charters are allowed to receive local funds, and LEAs are required by law to provide them with local funds. However, the working group and other stakeholders recommended that virtual charters not receive local funds. Local funds come from the LEA where a child resides. A statewide virtual charter, enrolling students statewide, should not be automatically entitled to receive local funding. However, the right to provide local funding could remain a local decision.

Pilot Program

The Legislature gave the SBE an opportunity to take the lead on this issue and provide recommendations for how the State should approach this innovation. The initial idea for a pilot came from conversations of the external working group. They discussed the concept of virtual charters at length. Much of those initial discussions revolved around the novelty of these schools and difficulties experienced elsewhere. This group generally accepted the idea of a pilot program, and the researcher from the group noted that three individual pilot schools would provide an adequate basis from which to collect data.

A pilot allows for inclusion of a specific number of schools and a time-limited term. Its primary purpose is to collect data, but does so without the explicit promise of future proliferation. The SBE would maintain control through a pilot program and provide the basis for virtual charter school policies in the future, if necessary. Results and findings would provide tangible, state-specific data, absent anecdotes from other states or estimations of what might happen. To do this, there must first be some framework to create a program.

Charter Application

The current virtual charter application developed and used by the SBE, like the brick-and-mortar charter application, utilizes an automated platform. However, when an applicant indicates they are applying for a virtual charter school, some additional, virtual charter-specific questions are presented. Those questions focus on the intricate differences between brick-and-mortar schools and virtual schools. The virtual-specific questions were compiled by reading other states' applications, reviewing concerns about virtual charter schools, and gathering input from the now-dissolved Charter School Advisory Council.

Some highlighted differences:
- The virtual charter education plan seeks more information related to the learning management system, update of content offerings, equipment provided to students, counseling services for whole-child development, and teaching strategies to build positive, nurturing relationships in a virtual context.

- Enrollment questions ask about attendance collection and plans of how to address issues of student turnover.
- Additional questions ask about services for students with disabilities, specifically in the virtual context.
- More information is sought about governance related to public access of governing board meetings, the process used to select the proposed curriculum and vendor, and how that vendor will be evaluated.
- An entire section is devoted to gaining information on historical context of the virtual applicants. For instance, questions related to academic and financial data of other virtual charter schools run by the vendor is solicited (including their highest and lowest performing schools).

During external working group discussions, the application was praised for being thorough and addressing many specific needs and concerns presented by virtual charter schools. In 2013, two virtual charter schools applied using this application. Moving forward, the application and process would reflect the various policies adopted by the SBE for virtual charter schools and/or pilots.

Charter Governance

The external working group and other stakeholders advocated strongly that virtual schools be subject to the same governance requirements as brick-and-mortar charter schools. Additional suggestions focused on ensuring that governing boards be involved in decision-making and have a continual, vested interest in success. Hence, a majority of its members should be residents of North Carolina and should meet regularly, which is not currently required of brick-and-mortar charters.

Education management organizations (EMOs) are vendors that supply services and content to schools. They are contractors to non-profit charter school governing boards and should be prohibited from having corporate representation on the board, which is reflective of SBE policy. Additionally, the external working group recommended that both administrators and educators be employees of the board. Current State law, G.S. 115C-238.29F(e)(1), requires that charter school teachers, but not administrators, be employees of the board.

Grade Structure

Grades K-12 could be permitted in virtual charters, but should not be required. Allowing schools to apply for various grade ranges will require a governing board to assess their specific goals and the capacity they have to accomplish those goals while fulfilling the terms of their charter. Additionally, the SBE will be able to collect data on what is appropriate, especially if there are different grade structures used in multiple schools.

Based on data presented by Connections Academy and K12, Inc. to the external working group, students enrolled in virtual programs at younger ages are more likely to stay in virtual learning and be successful in virtual learning. A review of enrollment information from other states suggests that fewer students will resort to virtual education as a choice and use it more often as a last option when virtual schools are allowed to operate only in higher grades. Often, those students will have great deficiencies in credit and educational attainment. Additionally, virtual learning in lower grades requires increased parental/learning coach interaction.

Educator Qualifications and Training

Per State law, G.S. 115C-238.29F(e)(1), at least 50% of teachers in a charter school must hold licenses, and all teachers in core subjects must be a college graduate. The virtual charter application currently being used does not address virtual learning training or professional development. However, some members of the external working group suggested that virtual school educators be required to have such training. Online learning requires different skills to deliver instruction, and it is not necessarily a simple transition from a face-to-face setting.

Prospective virtual charter schools should be required to verify that educators are trained to teach online. Schools could use this requirement as an additional way to be innovative in how they train teachers to deliver education. Additionally, the SBE could require that schools be able to verify each teacher's training in virtual learning as a necessary safeguard. Requiring such training is commonly practiced in other states and is a popular idea from responses received throughout this study process.

Student Enrollment

iNACOL recommends unlimited enrollment, allowing for maximum use by parents and students seeking a model to meet their needs. However, a pilot program should be limited in scope to ensure compliance with requirements and monitoring from year to year. Two virtual charter applications were submitted this year to the SBE, one proposing initial enrollment of 1,000 students and the other, 2,750.

As a statewide public school program, students from the entire instructional spectrum are expected to enroll. Schools need a variety of credentialed professionals to meet diverse needs and electives that attract and retain students. High school programs must provide broad course offerings to enable students to earn credits required for graduation. Also, it is necessary to have counselors in these schools, just as in any other. Schools must have the capacity to meet these demands and employ highly qualified teachers and professionals.

Per State law, G.S. 115C-238.29D(e), charter schools can expand up to 20% per year without seeking approval from the SBE. This rate would be much lower than many virtual charter schools have been allowed in other states, such as Ohio and Tennessee, where there was no cap on growth initially. Tennessee went from 500 students in the first year to 3,000 in year two.

The statewide survey indicated strong support for slow, managed growth and rapid expansion is a primary reason why virtual charter schools have faltered elsewhere. This expansion rate would allow the SBE to manage the growth and monitor the progress from year to year as they grow. Controlled growth will also allow the SBE to collect data about this very important aspect of virtual charter schools.

Attendance and Withdrawal

One virtual charter application recently submitted suggested that a 25% student withdrawal rate is attainable. The national average is around 30%. Withdrawal rates are one of the most commonly cited failures of virtual charter schools in other states. During external working group presentations, virtual education providers freely admitted that withdrawal rates elsewhere were high, and they are reforming their practices to address the issues.

Online learning is not for every student and family. It should be the responsibility of the virtual charter school to let students and families know what is required in a virtual education so they are not surprised. To ensure compliance, the withdrawal rate could be measured from semester

to semester by utilizing two count days per year. Traditionally in North Carolina, there has only been one count day, 20 days into the fall semester. There could be another in the spring semester also.

Students attend virtual schools for a host of reasons that might include illness, escaping bullying, accommodating family living and working arrangements, advanced studies, or remediation. If a student indicates that they will not be attending for a full school year, the withdrawal should not count against the school. Schools should keep a written record of those students who specify they will be attending for a finite period of time.

Student-to-Teacher Ratio

NCVPS has an average student-to-teacher ratio of 37:1. The existing virtual charter school policy allows for a maximum ratio of 50:1. Virtual learning presents some challenges that are not experienced in a face-to-face model, such as student engagement and physical monitoring of student and teacher activity. However, virtual learning minimizes other challenges, such as discipline issues, classroom management, and routine assignment grading, allowing for larger class sizes.

In lower grades, there would be much more offline learning with increased learning coach involvement. As students progress through grades, independence increases and most teaching and learning is experienced online with course/subject-specific classes.

Testing and Engagement

The use of a "learning coach" is regular practice for providers of virtual education. Typically, the learning coach is a parent or guardian. They provide daily support and supervision of students, ensuring participation in online lessons, teacher-led instructional sessions, and State assessments. Learning coaches are expected to attend teacher meetings and Individualized Education Plan (IEP) meetings.

Learning coaches are apprised of challenges presented by virtual education and the level of involvement required to be successful. In efforts to reduce withdrawal rates and spur greater success, providers are increasingly making students and families aware of what to expect. Typically, learning coaches sign agreements of understanding outlining their responsibilities. Details of this process should be provided as an application requirement for a school.

The external working group recommended that each school have some physical presence in various locations throughout the state whereby face-to-face meetings and testing can occur. This location could be any number of facilities, such as a YMCA, library, hotel conference center, etc. Schools should be expected to provide proof of agreements with locations as part of their application.

Accountability

The accountability requirements for charter schools are a high mark for the State, collectively. Schools are required to test at least 95% of students in accordance with federal law and meet or exceed 60% proficiency or growth for two of any three consecutive years per State law, G.S. 115C-238.29G. These schools would be credit bearing and able to award diplomas.

In recent years, various brick-and-mortar charters throughout the state have been unable to meet that mark, and some of those have been closed as a result. Likewise, virtual charter schools in other states have struggled not only to test the requisite 95% of students, but also to keep

their scores at acceptable levels. To be considered a successful school in North Carolina, they should also meet the academic marks set for their brick-and-mortar charter school counterparts.

Adherence

Maintaining the SBE's authority in any virtual charter program is paramount. The SBE is the best-equipped organization to manage and monitor such a program. Data collected can easily be reported to the SBE for necessary changes to be made in a short timeframe. If pilot schools fail to meet the required benchmarks, corrective action can be taken. Though, such action will not be possible without the proper authority and framework to continually monitor and guide the schools.

RECOMMENDATIONS FOR STATUTORY CHANGES

SBE discussion revealed discomfort amongst several members about the appropriateness of virtual learning for students in lower grades, particularly K-3, and the ability for young learners to grasp reading and writing skills via online education. Additionally, some members of the SBE expressed concern about high withdrawal rates in other states, student-to-teacher ratios, engagement, and various aspects of funding. To address these concerns, the SBE must continue to evaluate the virtual charter landscape and make thoughtful policy decisions.

There are many different funding possibilities for virtual charters and no state that has them uses the same formula. During meetings of the SBE and the external working group, numerous conversations were about funding. However, many questions still remain about the most appropriate and viable funding formula for virtual charter schools. To determine what is best for North Carolina, the SBE needs to continue studying various funding options and practices, and use information received from applicants.

A pilot program will allow the SBE to review all aspects of virtual charter schools in a setting very similar to what would be experienced otherwise. However, the controlled environment provides for responsive changes and corrective action if necessary. Additionally, a pilot would provide essential information about the impact of virtual charter schools and whether or not to authorize them following completion of the pilot.

To uphold the SBE's duty to supervise and administer public education in North Carolina, based on the findings of this report, the SBE requests the following statutory changes:

1. The State Board of Education may authorize virtual charter schools serving students from grades K-12:
    a. Prior to granting full charter status to any non-profit board to operate a virtual charter school, the State Board may establish a pilot program.
    b. The State Board is authorized to issue an RFP for virtual charter school pilot participants.
    c. Prior to authorization of any virtual charter school or pilot, the State Board shall adopt rules, which, at a minimum, address charter term, funding, application, charter governance, requirements and procedures, grade structure, educator qualifications and training, student enrollment, student attendance, class size, student testing and engagement, and accountability.
    d. The State Board shall determine an appropriate funding amount for virtual charter schools and report back to the General Assembly.

  e. No pilot shall be authorized prior to the 2015-16 school year.

2. For the purposes of this section, the State Board of Education shall not be subject to Article 2A of Chapter 150 B of the General Statutes.

RECOMMENDATIONS FOR SBE POLICY / DRAFT RULES

As noted throughout the report, consensus on particular aspects of virtual charter school policy was not widely reached, e.g. grade structure and withdrawal rates. Of the limited research on virtual education, there are few concrete conclusions that can be drawn. The SBE engaged in considerable debate about recommended policies and many questions were not answered through this deliberation or the preceding study process.

The following recommendations for SBE policy and draft rules are a proposed framework for how the SBE may set up a pilot program for virtual charter schools. Per SBE authority to oversee and administer public education, these draft rules are subject to modification prior to implementation of a pilot program.

Pilot Program: The State Board of Education will develop and adopt an RFP for not more than three virtual charter school pilots. The term of these pilots shall not exceed four years. Following the pilot program, pilot participants are not guaranteed a charter. If a participant successfully meets the conditions set forth in this policy and is awarded a charter following completion of the pilot, it may be exempt from the normally requisite planning processes typically reserved for new charters.

Funding: Through an RFP process, each applicant for a pilot shall propose a funding amount based on its individual education, business, and governance plan. From this information, the State Board of Education will determine a funding amount and report to the General Assembly for statutory changes.

Application: The requirements for a virtual charter school will be addressed in the RFP.

Charter Governance: Pilots will be subject to the same requirements as brick-and-mortar charter schools. Additionally, the governing board must meet at least monthly and have at least seven members with a majority of those members permanently residing in North Carolina. Education management organizations are prohibited from having corporate representation on the governing board. All administrators and teachers (G.S. 115C-238.29F(e)) shall be employees of the board.

Grade Structure: Grades K-12 are permitted for pilots, but not required.

Educator Qualifications and Training: Pilots shall be subject to the same requirements as brick-and-mortar charter schools. Additionally, educators shall be required to have training in virtual instructional methodology prior to teaching students. Schools must verify this training for each teacher delivering education to students.

Student Enrollment: Each pilot will be allowed to enroll up to 1,000 students in the first year and expand by not more than 20% in each successive year until completion of the pilot, not to exceed 1,728 students.

Attendance and Withdrawal: Pilots are expected to have a withdrawal rate below 25% within the first school year, below 20% in year two, and below 15% in year three. Students attending a virtual charter school for a special reason with the expressed intent of only being enrolled for a finite period of time within a particular school year would not be counted in the measured withdrawal rate. Schools must keep written record of a student's stated intent. A count of school attendance shall be taken at least once during each semester, which may result in decreased funding.

Student to Teacher Ratio: No educator shall have a maximum class section ratio greater than 40:1 or be responsible for teaching more than 200 actively enrolled students in a particular semester.

Testing and Engagement: Pilots shall ensure each student has a "learning coach." The learning coach will provide daily support and supervision of students, ensuring student participation in online lessons, teacher-led instructional sessions, and State assessments. The learning coach is expected to attend teacher meetings and Individualized Learning Plan meetings.

Each school shall have at least one testing center/meeting place in each of the eight SBE districts whereby educators and administrators from the school can meet students and parents.

Accountability: Pilots shall test at least 95% of students in accordance with federal law and shall use the North Carolina Final Exams for all applicable grades and courses. Pilots shall meet the same accountability requirements as brick-and-mortar charters – meeting or exceeding 60% proficiency or growth for two of any three consecutive years per State law, G.S. 115C-238.29G. Schools are credit bearing and the same articulation laws, rules, and policies would apply as those for brick-and-mortar charter schools.

Adherence: The State Board of Education will seek to contract with a third-party evaluator before launch of a pilot program to provide year end formative feedback, and pilot end summative feedback. Noncompliance with provisions set forth herein could result in deferment or termination of enrollment expansion, or termination of a pilot. Pilots are subject to presentation of data to the State Board of Education at the call of the Chair.

ADDITIONAL OPTION FOR CONSIDERATION

The external working group acknowledged that North Carolina already has virtual education programming via the North Carolina Virtual Public School and burgeoning local initiatives throughout the State. They and other stakeholders recommended that these options be strongly considered.

Potential State Board of Education Action

The SBE could direct NCVPS to contract with vendors providing online courses to students. Online and virtual providers would supply content and programming to North Carolina students through the NCVPS platform. A system with multiple providers would bolster competition in quality and pricing, while providing many students throughout the state with virtual options to meet their unique needs.

ATTACHMENTS

The following documents are noted throughout the report and either attached below or electronically:

1. Letter to the SBE from the NC School Boards Association.
2. Letter to the SBE from the NC Large District Superintendent Consortium.
3. Letter to the SBE from Surry Virtual Academy describing their program and objections to virtual charter schools.
4. Public Impact's national study on virtual learning.
5. Statewide educational stakeholder survey.
6. Public Impact presentation to the external working group and analysis of statewide survey.
7. iNACOL presentation to the external working group on costs and funding for online schools.
8. iNACOL presentation to the external working group on quality assurance and funding for fully online schools.
9. Current North Carolina virtual charter school application.
10. Connections Academy presentation to the external working group.
11. K12, Inc. presentation to the external working group.