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REVIEW OF *THE POLICY FRAMEWORK FOR ONLINE CHARTER SCHOOLS*

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Summary of Review

Relative to earlier research, this study from the Center for Reinventing Public Education provides a more in-depth analysis of policy features across the 27 states that allow online charter schools. It presents a well-organized description of policy features and includes a set of policy recommendations that generally, but not always, follow well from the study's evidence. Because the findings are largely negative, this report may be seized on by groups that are broadly critical of charter schools. But the report is published by an organization that often advocates for charter school growth, and the authors' discussion of findings suggests that the charter school establishment is advocating for separating online charter schools from brick-and-mortar charter schools and governing them with a separate policy framework. While there is some justification for such an approach, online charter issues are not completely distinct from issues that arise from other charters. Overall, the detailed analyses of policy environments and the summary of problems in the online charter school sector included in this report should be useful to policymakers who are willing and able to pursue more restrictive oversight and increase accountability for online charter schools.



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REVIEW OF *THE POLICY FRAMEWORK* FOR ONLINE CHARTER SCHOOLS

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I. Introduction

This review examines the report produced by the Center for Reinventing Public Education (CRPE) titled *The Policy Framework for Online Charter Schools*,¹ which examines policy governing online or virtual charter schools.² General questions addressed include: (i) In what ways do state laws vary? (ii) How might policy variations influence the ability of online charter schools to operate efficiently and effectively? (iii) What trends are emerging in state policy and how might online charter laws be improved?

The report is one of three sponsored by the Walton Foundation. The other two offer a focus on student achievement (prepared by CREDO³) and a description of online charter schools (prepared by Mathematica).⁴ The three reports appear to be jointly coordinated and planned, although they were independently prepared and reported. Together, they provide a comprehensive examination of online charter schools.

Over the past decade, online charter schools have increasingly been the subject of critical or negative news. Investigative journalists have been actively conducting research in the area and warning consumers and policymakers of problems. Similarly, the National Education Policy Center has regularly produced comprehensive reviews of online schools.⁵ The CRPE report and the other two associated reports reinforce existing research and contribute greatly to the knowledge base surrounding online charters. Although state and federal education agencies have been rather passive in terms of increasing oversight, this report may help tip the balance and lead to a more reasoned regulatory response.

II. Findings and Conclusions of the Report

The CRPE *Policy Framework* report provides a comprehensive review of policies and specific legislation governing online charter schools in the 27 states that permit them. The 17-page report presents a summary of findings and a short methods section. It also contains a four-page appendix that has links to relevant legislation in each state. A second five-page appendix lists and briefly describes relevant major laws in effect.

In examining state regulatory frameworks, the authors focus on six areas or general categories: (i) general operating environment; (ii) restrictions on growth and enrollment; (iii) provisions to ensure equitable access; (iv) authorization and accountability, (v) curriculum

& instruction; and (vi) funding.

Online charter schools operate in 26 of 27 states with legislation allowing them. The authors find considerable variation in state laws and regulations. Following is a summary of some key findings.

- Analyses of state laws reveal features that might promote or restrict online charter school enrollment and growth. For example, legislated enrollment caps might be restrictive, and the same is true of requirements for online charters to have a local presence.
- Like brick-and-mortar charter schools, online charter schools are expected to be nondiscriminatory. Current legislation does not allow them to have enrollment restrictions or to specify enrollment criteria.
- Technology, however, can serve to limit access, since students need a home computer and the family must be able to pay monthly fees for Internet service. The study finds that only nine states have specific provisions to ensure that technology requirements are not onerous for low-income students. In some states, online charters might provide technology support, although they are not required to do so. The authors state that “online charter schools will not be a viable option for all students until policy addresses the needs of diverse student populations.”
- The findings also summarize current authorization and oversight requirements, which—given the poor performance of online charter schools⁶—are critical. Oversight provisions in legislation governing such schools are generally similar to those for brick-and-mortar charters; less than half of the states with online charters have provisions specific to them. However, the report does include details on more restrictive provisions a smaller number of states use to ensure greater oversight.
- In 22 of 28 states, funding mechanisms for online charter schools are the same as those for brick-and-mortar charters. The report provides valuable insights by highlighting alternative approaches to funding a few states use, including completion-based funding used by four states.
- A few states have sought to restrict or guide online charter schools by restricting their spending. For example, California requires online charters to spend at least 80 percent of their public revenue on instruction. Six states require them to provide computer hardware, software and Internet connectivity for some of their students.
- Although concerns about online charter schools are often linked to the two large for-profit education management organizations (EMOs) that operate most of the schools, only one state has taken action to restrict the for-profit EMOs: New Mexico bars K12 Inc. from operating charter schools in the state.

According to the report, legislative activity appears to be “heating up” in response to often-reported concerns about quality, accountability, and transparency. The CRPE report discusses policy options or recommendations that address data transparency and accountability, innovative funding models, and customized enrollment policies. The wording and

tone of the recommendations is suggestive and not prescriptive.

- In terms of data transparency and accountability the report suggests that more accountability is needed:
 - “Imposing additional data reporting requirements may make sense given the high risk of disengagement among online charter students.”
 - “Online schools could be required to create a supplemental and comprehensive pre- and post-course assessment plan that demonstrates how they intend to measure individual student performance and growth within a given period of time.”
- Regarding funding models, the report does not recommend reducing funding to online charter schools, despite evidence in this and other reports that seem to support that possibility. The first suggestion below, encouraging competition based on low tuition rates, is untested and does not follow from the findings. The second item, refusing financial help to traditional schools when students opt out and move to online charters with little or no notice, runs counter to experience. A few states have provided such support, and it does help districts when funding unexpectedly follows students to online schools. Transition funding is particularly important for the initial year when an online charter school opens, and potentially large numbers of students transfer with short notice.⁷
 - Instead, the CRPE report suggests that states might choose “funding all students at the same (weighted) level, but encouraging online charter schools to compete for students on the price of tuition. When students enroll in online schools with tuition rates less than the state’s per-student allocation, states can place the surplus funds into a personalized learning savings account to be invested by students and families on education-related expenses, including higher education.”
 - In suggesting that states not provide transition costs to help schools deal with unanticipated funding drops, the report refers to such aid as “funding the student twice” and “holding the school districts harmless” for students who leave.
- With regard to enrollment policies, the report suggests:
 - Online schools might be required to better inform parents and students.
 - “State policies could eliminate open enrollment requirements and require schools to establish criteria for admission in order to ensure quality and effectiveness. Online charter schools could also be required to provide information to prospective students and parents...”
 - The report even goes so far as to softly suggest that enrollment caps be used “to manage growth early on and ensure that they have adequate personnel and resources to provide the support necessary for students with special education needs.”

In concluding, the report proposes that states should consider creating a separate regulatory framework for online charter schools. This would distance and separate the online charters

from the brick-and-mortar charters—which are less prone to unscrupulous behavior than for-profit EMOs.

III. The Report's Rationale for Its Findings and Conclusions

The report seeks to describe policy governing online schools with the aims of promoting better understanding and of providing recommendations for improved state policies or regulatory frameworks. The report is based on a comprehensive review of existing legislation in 27 states and of policy reports prepared by other researchers, as well as on related insights garnered from media and investigative journalists with a local or state perspective.

Most of the recommendations and policy options discussed reflect evidence appearing in the report. However, a few of the recommendations as well as the overall conclusion are not directly linked to findings in the report and appear to reflect more ideological preferences.

IV. The Report's Use of Research Literature

The report does involve a review of primary and secondary sources of evidence. While there are few comprehensive research projects that address online schools, the CRPE report does cite and reference existing reports. The review of laws and regulations provides the basis for a summary of what should be happening in online charters; however, practice differs from policy. Fortunately, the report also draws upon media and scholarly articles from across the country that document what is actually happening, as opposed to what regulations suggest should be happening. The role of the media and investigative journalists has been critical, in large part because many states have not been commissioning their own evaluations of online charter schools.

One area in which the research literature appears inadequate is that related to funding formulas. Based on a review of state policies and other research studies, the report identifies a few variations in funding formulas. Unfortunately, it overlooks some important papers that specifically address this topic.⁸ In addition, while the report does cite the findings from a group that provided input for a cost study of online schools,⁹ it neglects to point out potential bias in that work: the cost study was based on input from a group of representatives from the online school sector itself, and not a broader or more independent group of school finance experts who may well have concluded that current models can function with less funding.¹⁰

The report notes that available legal documents related to past and pending lawsuits were reviewed. There is no evidence, however, that the review included the numerous source documents that were released during the stockholder lawsuit against K12 Inc.

V. Review of the Report's Methods

Methods include the review of state charter and online school laws. However, the review of legislation does not cover general education codes, so it is possible that there are additional differences that distinguish online charter schools from other schools. Other prior analyses of state-level data relative to policy, practice, and outcomes are also included. Here the authors rely on annual reports or reviews prepared by the Evergreen Education Group¹¹ and the National Education Policy Center.¹²

Methods also include the review of artifacts related to past or pending lawsuits, and secondary sources such as news and scholarly articles that provide additional data on state policy environments. The report does indicate that finance data provided by Connections Academy is included in its sources, although it does not clearly identify findings linked specifically to the Connections data.

The methods section of the report is short, although the description of methods appears adequate. Unfortunately, limitations are not discussed, an omission that can undermine the credibility of even very sound analyses.

VI. Review of the Validity of the Findings and Conclusions

Examining and summarizing findings across states within the framework of six policy features appears to provide for the inclusion of key topics. One topic that would seem important but does not receive specific attention is the credentialing of online teachers. Presumably the authors do not consider this area because states are not yet requiring unique or additional credentials or certification for such teachers. However, this area is going to be increasingly important as states implement new teacher evaluation systems. It is not clear whether or how the current mechanisms to evaluate or support teachers might apply to teachers working in fully online schools, where their actual role is based less on instruction and more on monitoring students' independent progress—ideally, with a parent or adult in the home for support. In addition, the current models of support for teachers are not readily applicable to online schools.

Although the report does not address teacher credentialing and support, it does discuss suggestions for revisions in current charter school laws focused on: (i) data transparency and accountability, (ii) innovative funding models, and (iii) customized enrollment policies.

The report highlights problems with oversight and perverse incentives for authorizers. Because funding to authorizers is based on a percentage of online charters' revenue, authorizers benefit financially most from very large online schools. The report points out this problem, but does not share recommendations on how to address it. It does, however, point out that “some states have avoided this potential conflict of interest by funding authorizers with a separate stream of revenue, such as a line item in the state budget” (p. 8). Another more

viable alternative not mentioned in the report is to fund authorizers on a per charter school basis rather than on percent of total revenues. Such a funding model would encourage authorizers to approve small charter schools, more in line with original legislative intent. Another alternative not mentioned in the report is legislation that would require authorizers to return public money they receive for oversight if the schools they sponsor do not meet measurable objectives and are allowed to continue operating.

The suggestion that perhaps enrollment policies should be customized is based on the growing concern that online charter schools are gaming the system by enrolling as many students as possible to yield increased revenues. Students without supportive home environments and students without the meta-cognitive skills, specifically the ability to self-regulate and to work on their own, are not well suited for the instructional model currently offered by the large for-profit companies dominating this sector. Typically, online charters assume a structured home environment with an adult present during the day to serve as the instructor, or “learning partner” as K12 Inc. calls the parent or adult. Given this situation the report might usefully have questioned how well current models are serving students, and it might have thoughtfully considered whether perhaps the online charters should be doing more to support and instruct students.

An issue the report mentions but does not discuss is that the online charter school sector is dominated by private EMOs, which are defining the opportunities for online schooling and

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which are positioned to reap profits from these online schools. For this reason, one of the most important recommendations should have been a call for regulations that prohibit these companies from lobbying and purchasing influence from public officials—now notably absent from existing regulation.

The report does acknowledge that two-thirds of online charter schools are managed by private EMOs, and it does state that the involvement of private EMOs raises “suspicions that schools will skimp on quality to maximize profits.” While private EMOs operate two-thirds of the online charter schools, their share of the brick-and-mortar charter school is also growing rapidly. The authors might have considered whether the dominance of private EMOs is the real problem, not the fact that this subgroup of charter schools operates online.¹³

The report notes that the special education enrollment in Pennsylvania charter schools has escalated and is growing quickly. Although the authors don’t explain, the key reason is that Pennsylvania allows some of the most generous funding for students with special needs who attend charters.¹⁴ In practice, the incentive leads to online charter schools overenrolling children with mild disabilities, while districts have elevated concentrations of students with moderate or severe disabilities.

The CRPE report only focuses on online charter schools. However, the findings may have been strengthened or may have had more policy relevance if the analyses also included district-operated online schools.

VII. Usefulness of the Report for Guidance of Policy and Practice

This report and the other two reports sponsored by the Walton Foundation add to cumulative knowledge and reinforce existing research relative to online charter schools. The CRPE policy analysis does provide more in-depth and state-specific analyses of policy than has previously been seen, and the findings do warrant attention by policymakers. Unfortunately, however, because private EMOs have considerable influence with state legislatures, the new research is not likely to bring about meaningful change or improvement. Most of the recommendations in the report are relevant and linked to the research findings. One particular recommendation in the report that does not clearly stem from the findings is that online schools should have more flexibility in limiting which students gain access. This recommendation should not be considered by policymakers. Instead, given the generous funding these schools receive, policymakers should regulate to ensure that these schools spend more on instruction, particularly on teachers, so that students receive more support from and more contact with professional educators.

The report implies that since online schools cannot serve some students effectively, they should therefore not have to admit them. Give that these are public schools, and given that their model for provision provides considerable cost advantages, it appears instead that these schools should remain open to all. If they cannot serve the students who enroll, then the online charters should be required to return the public money they receive. For example, if a student does not have a supportive home environment, then the online school should offer home visits or find other ways to provide support. If the online school receives special education money, then it should be required to serve these students by modifying their staffing model and directing the additional resources they receive to these particular students.¹⁵ This is an area that deserves closer scrutiny by the U.S. Department of Education's Civil Rights Office.

It is worth noting that prior to this report, the Center for Reinventing Public Education has seldom attached its name to a report critical of charter schools. For this reason, it was striking that one recommendation suggested that online charter schools could be separated from traditional charter schools and handled in a separate policy framework. Leaders of national charter school organizations echoed this message in public comments.¹⁶

The CRPE report does note that online charter schools were not even envisioned when most charter school laws were passed in the 1990s, and therefore legislation adapted for charter schools might not be appropriate for online charter schools. These observations constitute the rationale for creating a separate policy framework for online charters. Given this logic, however, one can argue that private EMOs that own and operate charter schools were not

envisioned in the original charter school legislation, either. Perhaps the privately operated charter schools should be separated from the independent charter schools and operate under a separate policy framework. In such a case, the independent charter schools could continue to be called “charter schools” since they are akin to the legislative intent of charter school laws in the 1990s (i.e., charter schools would be a new form of public schools that would be small, innovative, locally-run schools that would be open to all). The privately operated charter schools might be referred to as “corporate” or “franchise” schools and covered by a new policy framework that would require greater public oversight, accountability, and transparency.

The CRPE report adds to the already strong evidence that online schools serving students at the K to 12 level are not working. The fact that online schools serving students at primary and secondary school levels are not now working does not mean they will never work. If a broader audience of stakeholders could be involved in the design of online schools, and if ideas could be piloted and tested before widespread implementation, we might find that online charter schools can work. But even beyond the need for a redesign of the current models, there will also be a need for new and more appropriate funding and accountability measures. In other words, there is a lot of work to be done. Unfortunately, it is likely to be difficult to realize great improvement given the strong and vested interests that currently dominate the sector.

Notes and References

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- 2 "Online schools" is the term used by the authors to describe these full-time online charter schools. Other labels used researchers and analysts include "virtual schools" and "cyber schools." This review uses "online schools" since this is the only label used by the authors of the CRPE report.
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- 6 Previous research has clearly established that the performance of online charter schools is abysmal and the new CREDO report, that was released simultaneous with the CRPE report, confirms this with a more rigorous design and more sensitive outcome measures than has been used in earlier studies.

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Outcomes (CREDO). Retrieved November 12, 2015 from <http://credo.stanford.edu/pdfs/Online%20Charter%20Study%20Final.pdf>

- 7 Districts are further negatively impacted by the fact that they are required to take back any students leaving charter schools no matter what time of the year and even if this means the funding for the students was already allocated to the online charter schools. This is a concern between district schools and brick-and-mortar charter schools, but this problem is much greater with online charter schools because students tend to move with less notice and in greater numbers. Further complicating matters, online charter schools have incredible high attrition rates both during and between school years.

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- 9 Anderson, A. B. Augenblick, J.; DeCesare, D.; & Conrad, J. (2006). *20/20 Costs and Funding of Virtual Schools*. Denver, CO: Augenblick, Palaich, & Associates, 2006. BellSouth Foundation. Retrieved December 8 2015 from <http://www.charterschooltools.org/tools/Costs&Funding.pdf>
- 10 In a recent analysis of my own I have documented how online schools, especially those operated by for-profit EMOs are gaming the system and work systematically to reduce effort, reduce risks, and maintain or increase prices through lobbying efforts (Miron, 2015).

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13 Based on current trends, more than half of all students enrolled in public charter schools are expected to be enrolled in privately operated charter schools within the next two years. These estimates include both private nonprofit and for-profit EMOs. These are grouped together since most nonprofit EMOs operate similarly to the for-profit EMOs in terms of contractual arrangements, management fees and a common pursuit of profit. Although nonprofit EMOs have restrictions on earning profit, the owners and managers of many of the nonprofit EMOs sweep profits with hefty salaries to owners, managers and family members. See Baker and Miron (2015).

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15 This statement is based on what I have heard and seen over the past six years; it includes complaints and cries for help from special education teachers working at online charter schools. Further, in a 2012 study on K12 Inc. I found that schools operated by K12 Inc. were enrolling increasing numbers of students with special needs and K12 Inc. was receiving substantial state and federal funds for special education. Nevertheless, the analysis of K12 Inc. expenditures showed that they spent a third of what districts spend (per pupil) on special education teachers.

Miron, G., & Urschel, J.L. (2012). *Understanding and Improving Full-Time Virtual Schools: A Study of Student Characteristics, School Finance, and School Performance in Schools Operated by K12 Inc.* Boulder, CO: National Education Policy Center. Retrieved November 16, 2015 from <http://nepc.colorado.edu/publication/understanding-improving-virtual>

16 The charter school establishment has been keen to defend all charter schools against any and all criticisms. It has been increasingly difficult, however, to extend this protection to online charter schools who are constantly the source of negative news resulting from studies produced by researchers, state auditors, and investigative

journalists.

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