



The Promise and Perils of Virtual Schooling

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Virtual schooling is expanding rapidly in the United States. Virtual schools operate in 26 states and constitute a growing share (8%) of all public charter enrollments. In 2012-2013, nearly a quarter of a million students in forty states were enrolled fulltime in online schools, eighty percent of whom were enrolled in schools run by private education management organizations (EMOs). The majority of these full-time online schools (61 percent) were charter schools, enrolling 85 percent of all full-time students.

North Carolina began its experiment with virtual schools in 2014 when the legislature established a four-year pilot program for two online charter schools. The two schools, N.C. Connections Academy (owned by Pearson) and Virtual Academy (owned by K-12, Inc.), are operated by for-profit companies and received more than \$14 million in academic year 2015-2016 to offer online courses for K-12 students. According to Public Schools First NC, two-thirds of students leave the school after less than two years. These online or virtual charter schools are big business for the for-profit companies that run them. Industry analysts believe virtual schooling will grow by 20 percent between 2012 and 2017 with projected revenues exceeding \$13 billion.

The growth of virtual and online schooling options significantly blurs the lines between public and private, and between non-profit and for-profit operations. Lost in this complexity, however, are a few important differences between virtual schools and online charter schools. For example, North Carolina is home to the NC Virtual Public School

(NCVPS), which is the second largest state virtual school in the nation, serving 50,000 students. However, new online charter schools in North Carolina are different in some important respects. The NCVPS is funded by public school districts via enrollment projections, which determine how much each district will pay to enroll students in the NCVPS. Further, the NCVPS offers supplemental courses to secondary school students enrolled in public, private, or homeschools. It is not a full-time school and offers courses students are unable to take otherwise—which is a significant benefit in a state where roughly half the population resides in rural areas.

While they must be operated by a nonprofit organization, NC law permits for-profit companies to set up nonprofit entities to establish online charter schools, which then purchase everything needed from the parent for-profit company. In effect, the school generates revenue for the for-profit corporation. Few states have well developed, robust rules and regulations to address the unique facets of online charter schools, which are often different than traditional brick and mortar charter schools, including accountability, student assessment, funding, and enrollment.

What does the research conclude about the effectiveness of virtual schooling?

Virtual schools, including online charter schools, are often touted as a cost-effective way to deliver education. Because they do not have to pay for building construction or maintenance, online schools have significantly lower overhead costs. Cost savings are also found in the absence of requirements to hire certified teachers, fewer administrators and support staff, and freedom from class size limitations. As a result, the “school” is much more lean and efficient, with significant cost savings.

Several studies analyze how online schools compare to traditional public schools. One study compared the performance of students who took courses in algebra and English between students at a traditional public school and a virtual school in Florida and

found that Florida Virtual School (FLVS) students performed about the same or somewhat better than their traditional school counterparts. Since FLVS had significantly lower cost, they concluded that the virtual school had a productivity advantage. In a report on enrollment and achievement in Ohio's virtual charter schools, researchers at the Thomas B. Fordham Institute found that students enrolled in Ohio's virtual schools are initially lower-achieving, more likely to be poor, and less likely to participate in gifted education. Controlling for demographics and prior achievement, these students perform worse than their peers who attend traditional brick and mortar public schools and traditional charter schools. While they start behind, they lose even more ground relative to their peers.

The Walton Family Foundation commissioned the most comprehensive analysis of the effectiveness of virtual schools to date. The CREDO-conducted study found that students enrolled in online charter schools demonstrated weaker growth in both math and reading compared to other students—a pattern which held across ethnicity and socioeconomic classes. Over the course of a school year, students enrolled full-time in online charter schools learned the equivalent of 72 fewer days in reading than their peers in traditional charter schools and 180 fewer days in math (which essentially represents an entire lost year of mathematics learning). Macke Raymond, CREDO's director, noted the gains students made in math in online schools were so limited, it was “literally as though the student did not go to school for the entire year.”

The cumulative impact of these studies led officials from the Walton Foundation to question the effectiveness of online charter schools. According to Marc Sternberg, the director of education giving at the Walton Family Foundation, and Marc Holley, the foundation's evaluation-unit director, these studies represent “stark evidence that most online charters have a negative impact on students' academic achievement.” This is

particularly concerning, the authors note, because, “If virtual charters were grouped together and ranked as a single school district, it would be the ninth-largest in the country and among the worst-performing.”

According to Public Schools First NC, online charter schools have lower graduation rates, significantly higher dropout rates, and poor test scores; only 27.4 percent of such schools made adequate yearly progress. K-12 Inc., which owns and operates North Carolina’s Virtual Academy, has demonstrated poor performance in other states, including California and Tennessee. Kevin Huffman, Tennessee’s former education commissioner and a strong proponent of school choice, called the state’s virtual charter school operated by K-12 Inc. “the worst-performing school in Tennessee”. Ohio’s Virtual Academy, operated by K-12 Inc., reported an overall 30.4% four-year on time graduation rate with a 12.2% rate for African American students and a 24.2% rate for economically disadvantaged students (versus a statewide rate of 78%).

Another significant problem encountered by virtual charter schools is the often-high withdrawal rate, which further raises the ire of public school superintendents, who lose per pupil funding but end up responsible for educating the children anyway. For example, a report by the North Carolina Department of Public Instruction (NCDPI) found that the state’s two online charter schools had dropout rates of 26 percent, which is one point higher than permissible under state law. A national study of online charter schools conducted by CREDO found that nearly quarters (22%) of online charter school students return to traditional public schools.

Critics charge that such high dropout rates allow the for-profit cyber schools to keep the per pupil revenue (which is transferred from the public schools), while penalizing the public schools who are then forced to educate students who return to the public schools. Gary Miron bluntly summed up the problem: “The kids enroll. You get

the money, the kids disappear.” In Pennsylvania, investors filed a class action lawsuit against K-12 Inc. charging that the company failed to disclose churn rates (cycles of enrollments and dropouts) and engaged in fraudulent practices such as manipulating attendance data and inflating students’ grades to artificially inflate its stock. There was a similar incident in Ohio, where an e-charter school was ordered to repay approximately \$750,000 due to dramatically inflated attendance. In North Carolina, state senator Valerie Foushee, a member of the Senate Education Committee, stated, “There is not enough accountability here to ensure that kids are getting what they need.”

We offer several recommendations for policymakers. First, many states are incredibly lax with regulations regarding oversight and accountability of online schools. The perceived unwillingness or laxness of online charters to maintain accurate, daily attendance and regulations permitting for-profit operators of online charters to keep the per-pupil funds if a child at least enrolls in the school for a brief period of time must be changed. Policymakers should establish firm guidelines for recording and maintaining attendance records. They must also create a mechanism for online charters to spend only that proportion of the per-pupil expenditures for when the student is actually enrolled in the school (based on a 180 calendar school year) and return the unused portion either to the state or to the student’s local school district. Performance-based funding systems, currently being tested in four states, in which funding is provided only after students demonstrate mastery of instructional material is another promising alternative. Another option is to more closely track enrollment and provide student-based funding on a monthly, rather than on an annual, basis.

Legislators and state education officials also need to develop regulations regarding teacher qualifications, curriculum standards, testing, and length of the school day and year. There is at least one reported incidence of a for-profit online charter school

outsourcing teacher duties (tutoring and grading) to untrained personnel in India. All too often, legislators assume that the online schools will provide a quality, affordable education to students. However, preliminary results from studies of the effectiveness of online charter schools suggest they do a very poor job educating students.

The rush to adapt these new technologies to schooling has greatly outstripped the ability (or willingness) of policymakers to thoughtfully consider how these new technologies work and to develop policies that ensure students who choose to utilize these new schooling options are provided a high-quality education. The challenge for policymakers is to find the ideal balance between oversight and flexibility, between freedom and control.