"While there has been some improvement in what is known about supplemental K-12 online learning, there continues to be a lack of reliable and valid evidence to guide the practice of full-time K-12 online learning."

National Education Policy Center, Virtual Schools in the U.S. 2014: Politics, Performance, Policy and Research Evidence[1]

What are charter schools?

Charter schools are tuition-free, independent public schools exempt from most of the rules, regulations, and statutes that apply to other public schools. In North Carolina, charter schools are vetted by an advisory council, approved by the State Board of Education, funded with taxpayer dollars, and are governed by private, nonprofit organizations.

What is an *online* or *virtual* charter school?

In contrast to traditional "brick and mortar" classrooms, online charter schools offer full-time learning— in front of a computer—not necessarily in a space dedicated to learning, or with any adult supervision. Students attending online charter schools give up their classroom seats and face-to-face time with teachers and other learning resources.

Doesn't North Carolina already have a virtual school?

The state-led NC Virtual Public School (NCVPS) was created in 2007. It offers *supplemental* courses to public, private, and homeschooled secondary students; only homebound students take a full course load through NCVPS. NCVPS currently serves 50,000 students and is the second largest virtual school in the U.S. With classes taught by educators with an NC professional teaching license, NCVPS is a cost effective way to educate students who need access to a course unavailable at their school; a year-long class costs $438.[2] NCVPS also offers its classes to home schooled and private school students.[3]

Why is the number of *online* charter schools growing?

Online education is a big business with a high profit margin. Online charters are becoming the fastest growing alternative to traditional public schools thanks to an aggressive push by a handful of **for-profit** corporations that dominate the "cyber learning" industry. Despite the fact that students in online schools performed significantly worse than those in brick and mortar classrooms, state legislators continue to enact laws that allow the online learning industry to grow by an anticipated 20 percent between 2012 and 2017 with revenues reaching $13.4 billion.[4] In 2012-2013, there were nearly 243,000 students in 40 states enrolled in 338 full-time online schools. Eighty percent of these students were enrolled in schools operated by for-profit education management organizations (EMOs). Year-to-year enrollment grew by 21.7 percent between 2011-12 and 2012-13.[5]

---

[1] http://nepc.colorado.edu/publication/virtual-schools-annual-2014

[2] NCVPS Funding Formula and Financial Information, http://www.ncvps.org/index.php/funding-formula-and-financial-information/

[3] NCVPS Non-Public School Students, http://www.ncvps.org/index.php/parents/non-public-school-students/

[4] http://gsvadvisors.com/wordpress/wp-content/uploads/2012/04/GSV-EDU-Factbook-Apr-13-2012.pdf

[5] http://nepc.colorado.edu/publication/virtual-schools-annual-2014

If *online* charter schools are operated by nonprofit organizations, how can for-profit companies run them?

According to North Carolina statute §115C−238.29E (b), "a charter school shall be operated by a private nonprofit corporation." For-profit companies can easily set up nonprofit organizations that obtain a charter for an online school. The nonprofit then purchases **everything needed** from the for-profit company: instructional tools and materials, technology services, budgeting and financial reporting, student records management, administrative services (including personnel assistance), pupil recruitment and family services, and teacher training and evaluation tools.

It is important to note that there is no system of checks and balances to ensure online charter schools are well managed and serve the needs of students.

What is the history of *full-time online* education in North Carolina?

- In Section 8.48 of the Appropriations Act of 2013, the General Assembly directed that the State Board of Education conduct a study of online charter schools and prepare "recommendations in the form of draft rules and proposed statutory changes to the Joint Legislative Education Oversight Committee by February 1, 2014."
- One of the findings of the Virtual Charter School Study, April 15, 2014 was a recommendation for "three individual pilot schools" that "would provide an adequate basis from which to collect data." Further, "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. The law authorizing the charter pilot schools exceeds this maximum enrollment by more than 850 students.
- Section 8.35 of the Appropriations Act of 2014 authorizes the creation of two pilot K-12 online charter schools. The length of the pilot will be four years. The maximum enrollment in each pilot is capped at 1,500 students in the first year, rising to 2,592 in year four. The law further states, "The school shall have a withdrawal rate below twenty-five percent (25%)." Two-thirds of students at industry-leading K12, Inc.'s online charter schools leave after less than two years.
- In October 2014, K12, Inc. and Connections Academy each submitted their applications to pilot full-time online education in North Carolina. The applications are being reviewed in December, with approval anticipated in January 2015 for schools that will open in August 2015.

What are the concerns over *online* charter schools?

Cost to taxpayers

Online charter schools are often cited as a cost-effective way to deliver education—an appealing idea for cash-strapped states. But online charters have lower test scores and higher dropout rates, and in North Carolina, we have a constitutional obligation to provide a sound, basic education to all students. So taxpayers could end up footing the bill twice, once to pay tuition to the for-profit corporation running

the online charter, then to the local public school district when a student returns to a brick and mortar school to retake the course or catch up on what they did not receive in their online course of study.

Online charter school operators often run their schools at an **enormous profit**, earning the same amount per pupil as a traditional brick and mortar school—but without the overhead associated with operating in a building. In a New York Times profile, online charter corporation K12, Inc. was portrayed as "a company that tries to squeeze profits from public school dollars by raising enrollment, increasing teacher workload and lowering standards." In Virginia, K12, Inc. established an online charter school in a rural county with a high state per-pupil expenditure. Although only four of more than 350 students actually lived in that county, the state funded the online charter based on the cost of educating a child who lives in the district where the program is offered. According to one Virginia legislator, "Those figures are worrisome and could mean **higher costs** for Virginia taxpayers as online education expands." This school has now been closed.

Lack of Positive Outcomes for Students

The vast majority of students who attend online schools are failing. According to a National Education Policy Center (NEPC) report, of the 70 percent of virtual charters that received state performance ratings, only 33.76 percent were rated academically acceptable. Four-year graduation rates are astoundingly low; the on-time graduation rate for the 157 online charter schools reporting data was 43.8 percent vs. the national average of 78.6 percent.[6] North Carolina's four-year graduation rate is 83.9 percent.[7] Only 27.4 percent of online schools met federal adequate yearly progress (AYP) standards in 2011-12.[8] K12, Inc.'s Ohio Virtual Academy 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%). K12, Inc.'s Colorado Virtual Academy reported a 12% four-year on time graduation rate (versus a statewide rate of 72%).[9] In 2014, Tennessee shuttered its K12, Inc.-affiliated online school[10] and in Pennsylvania, ties with K12, Inc. were severed[11] due to high dropout rates and poor academic results.

There is also deep concern about the ability of these online charters to effectively educate at-risk or special needs students. NEPC research notes that "relative to national public school enrollment, virtual schools substantially fewer minority students, fewer low-income students, fewer students with disabilities, and fewer students classified as English language learners. Girls are also more prevalent in virtual schools relative to other public schools."[12]

---

[6] Ibid.

[7] http://www.ncpublicschools.org/newsroom/news/2014-15/20140904-01

[8] http://www.thenation.com/article/181762/venture-capitalists-are-poised-disrupt-everything-about-education-market#

[9] http://www.ncjustice.org/?q=education/nc-justice-center-amicus-brief-support-petitioner-north-carolina- state-board-education.

[10] http://www.tennessean.com/story/news/education/2014/07/31/huffman-orders-closure-tennessee-virtual-academy/13420309/

[11] http://www.laane.org/capitalandmain/cyber-charter-school-revolt-against-k12-inc-continues/

[12] http://nepc.colorado.edu/publication/virtual-schools-annual-2014

Other concerns about online instruction that directly impact student achievement include:

- Online charters offer limited interaction with teachers, and interaction may not extend beyond a particular course. In many cases, the student and teacher are not even online at the same time.
- The absence of academic standards raises concerns about quality of online instruction and curriculum.
- The quality of teacher preparation for delivering instruction online is highly questionable, and there are no standards for licensure or certification for teachers instructing students online.
- At one point, one for-profit online charter corporation had outsourced teacher duties (tutoring and grading) to untrained personnel in India, and in Wisconsin, teacher responsibilities were offloaded to parents.
- The authenticity of student work has become a serious problem in at least one state. The inability to monitor test taking has led to a lack of credibility in testing results.
- Two-thirds of K-12, Inc.'s online charter school students leave after less than two years.

Effect on Local Public School Districts

North Carolina's traditional public schools will suffer a significant loss of revenue and resources if local districts are required to turn over funds to for-profit online charter corporations. A measurable loss of funds poses significant challenges for traditional public schools, which are often forced to reduce staff, programs, and other basic expenditures. In sum, the quality of traditional public school education is further threatened by the depletion of resources prompted by the growing number of loosely regulated online charter schools.

According to state law,
- State Funds: Charter schools receive an equivalent amount per student as the local education agency (LEA) receives per student receives from the State. Funding is based on the 1st month average daily membership.
    - In year 1 – Base state allotments are determined by the LEA in which the student resides
    - In year 2 and beyond- Base State allotments are determined by the LEA in which the school is located.
- Local Funds: Charter schools receive a per pupil share of the local current expense of the LEA in which the student resides.

Based on the two applications submitted in October 2014 by K12, Inc. and Connections Academy, state and local funding diverted from traditional public schools to these pilots could amount to nearly $16 million in the initial year of operation.[13] As the legislation allows each pilot to grow to a maximum student enrollment of 2,592 in the fourth year of operation (a number that could be waived by the State

---

[13] http://www.ncpublicschools.org/charterschools/applications/2016-17/

Board of Education if "doing so would be in the best interest of North Carolina students") means the dollars diverted from traditional to online education could grow quickly and exponentially.

Lack of Oversight

Rapid expansion of the unregulated, for-profit online charter school industry demands careful, uniform oversight, if these schools are ever permitted to exist in North Carolina. With so many questions regarding cost and the use of funds, and in light of an exceedingly poor academic track record, there must be sufficient monitoring of operations. Establishing accreditation would be one step in the right direction, however according to one report, "traditional accrediting agencies have sought to bring virtual schools under their purview, but few of the virtual schools have requested their services."

Little Has Been Done to Prepare Teachers for the Online Classroom

There is simply little to suggest that full-time, online instruction is a viable education alternative, and even less in the way of professional development for teachers in this environment.

"Finally, there are few statewide, national, or international endorsements for online K-12 instruction at this time. Identifying the unique elements of virtual school instruction illustrated through best practices would serve as both a justification and foundation for the establishment of state endorsements for virtual school instruction."

<div align="right">

[Virtual Schooling Standards and Best Practices for Teacher Education](#)
</div>

Reliance on Parents to Aid Instruction

There is some concern that parents are required to provide a fair amount of instructional support for children for a full-time, online educational environment to benefit their children. While research is scant in this area, the National Education Policy Center notes, "In fact, the reliance of these online charter schools on the parent as a primary provider of instruction and instructional support have led some to question whether these programs are publicly-funded instances of homeschooling."[14] NC families who homeschool their children are already able to take advantage of courses offered by the NC Virtual Public School.

When Does Online Education Make Sense?

North Carolina already has the second largest online or [virtual public school](#) in the country. The NC Virtual Public School is *not* a full time school. Rather, students across the state enroll in individual classes taught by certified teachers and designed to "provide courses that students are unable to take at their local schools."

---

[14] http://nepc.colorado.edu/publication/virtual-schools-annual-2014

Using an online learning environment for course recovery or to supplement face-to-face learning has been shown to be effective; however replacing face-to-face learning entirely may send North Carolina public education into a costly tailspin, with children bearing the brunt of the effects according to research and evidence.

Sources of Information on Online Charter Schools

Public Schools First NC, The Facts on Charter Schools
http://www.publicschoolsfirstnc.org/fact-sheets-and-reports/

Allegations of Fraud by K12's Former Employees
http://legalclips.nsba.org/?p=17966&utm_source=NSBA+e-Newsletter+Subscribers&utm_campaign=c0dd5f9e11-Legal+Clips+Daily&utm_medium=email

Capital Tonight Interview: The Pros and Cons of Virtual Charter Schools, Jan. 15, 2013
http://triangle.news14.com/content/capital_tonight/capital_tonight_episodes/682396/capital-tonight-jan--15--pros-and-cons-of-virtual-charter-schools

GSV Advisors Education Sector Factbook
2012 http://gsvadvisors.com/wordpress/wp-content/uploads/2012/04/GSV-EDU-Factbook-Apr-13-2012.pdf

How Online Learning Companies Bought America's Schools
http://www.thenation.com/article/164651/how-online-learning-companies-bought-americas-schools#

NC Department of Public Instruction, NC Virtual Public School Funding
http://www.ncpublicschools.org/fbs/finance/ncvps/

NC Department of Public Instruction, Office of Charter Schools, Applications
http://www.ncpublicschools.org/charterschools/applications/

NC Justice Center, Second Amicus Brief Supporting the NC State Board of Education
http://www.ncjustice.org/sites/default/files/NCJC%20Amicus%20Brief%2006-21-12.pdf

NC Justice Center, Amicus Brief Supporting the NC State Board of Education
http://www.ncjustice.org/?q=education/nc-justice-center-amicus-brief-support-petitioner-north-carolina- state-board-education.

NC Justice Center Media Release: New Virtual Charter Schools Policy a Step in the Right Direction
http://www.ncjustice.org/?q=education/media-release-new-virtual-charter-schools-policy-

step-right- direction-education-advocates

NC Policy Watch, Virtual Charter Schools Coming to North Carolina
http://www.ncpolicywatch.com/2014/10/23/virtual-charter-schools-coming-to-north-carolina/

NC School Boards Association, Charter Schools Issue Brief
http://www.ncsba.org/index.php?src=gendocs&ref=Charter%20Schools&category=Governmental_Relations

NC State Board of Education, January 11, 2013 – Policy on Virtual Charter Schools
http://sbepolicy.dpi.state.nc.us/policies/TCS-U 015.asp?pri=04&cat=U&pol=015&acr=TCS

NC Virtual Public School (NCVPS) http://www.ncvps.org/

National Education Policy Center, Virtual Schools in the U.S. 2014: Politics, Performance, Policy and Research Evidence http://nepc.colorado.edu/publication/virtual-schools-annual-2014

National Education Policy Center, Virtual Schools in the U.S. 2013: Politics, Performance, Policy and Research Evidence http://nepc.colorado.edu/publication/virtual-schools-annual-2013

National Education Policy Center, Online K-12 Schooling in the U.S.: Uncertain Private Ventures in Need of Public Regulation, October 2011
http://nepc.colorado.edu/files/NEPC-VirtSchool-1-PB-Glass-Welner.pdf

National Education Policy Center, Profiles of For-Profit and Nonprofit Education Management Organizations: Thirteenth Annual Report
2010-2011 http://nepc.colorado.edu/publication/EMO-profiles-10-11

News and Observer, Judge Says Online Charter School Cannot Open in August
http://www.newsobserver.com/2012/06/29/2168939/judge-says-online-charter-school.html

N.Y. Times, Profits and Questions at Online Charter Schools
http://www.nytimes.com/2011/12/13/education/online- schools-score-better-on-wall-street-than-in-classrooms.html?pagewanted=all&_r=0

Report to the General Assembly, Virtual Charter School Study, April 14, 2014
http://www.ncleg.net/documentsites/committees/JLEOC/Reports%20Received/2014%20Reports%20Received/Study%20Virtual%20Charter%20Schools%20Report/Virtual%20Charter%20Schools%20Report.pdf

SL 2014-100 – Appropriations Act of 2014 Section 8.35(a)-8.35(g) - Virtual Charter School Pilot Program
http://www.ncga.state.nc.us/Sessions/2013/Bills/Senate/PDF/S744v9.pdf

7

Supporting public schools through information, education, and engagement.

On the web at: publicschoolsfirstnc.org • info@publicschoolsfirstnc.org
Facebook: facebook.com/publicschoolsfirstnc • Twitter: @PS1NC

SL 2013-360 – 2013 Appropriations Act – Section 8.48 – Study Virtual Charter Schools
http://www.ncleg.net/Sessions/2013/Bills/Senate/PDF/S402v7.pdf

Some See Inequity in Virginia "Virtual School" - Online Education Companies in Virginia Are Encouraged to Partner with Poor Counties to Boost Profits
http://www.roanoke.com/news/roanoke/wb/277743

Venture Capitalists Are Poised to 'Disrupt' Everything About the Education Market, The Nation, September 25, 2014
http://www.thenation.com/article/181762/venture-capitalists-are-poised-disrupt-everything-about-education-market#

Virtual Failure: The Growth of Online Charter Schools
http://www.maine.nea.org/assets/document/ME/Virtual_Failure_Online_Charter_Schools_Report.pdf

Virtual Schools are Multiplying, but Some Question Their Educational Value, Lyndsey Layton and Emma Brown, November 26, 2011 http://articles.washingtonpost.com/2011-11-26/local/35283370_1_virtual-schools-virtual-education-support-school-choice

Virtual Schooling Standards and Best Practices for Teacher Education, Ferdig, Cavanaugh, DiPietro, Black and Dawson
http://www.academia.edu/217484/Virtual_Schooling_Standards_and_Best_Practices_for_Teacher_Education

Last revised: December 9, 2014