

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website (www.nmlegis.gov) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

ORIGINAL DATE 1/30/18

SPONSOR Stewart LAST UPDATED _____ HB _____

SHORT TITLE Virtual Charter School Work Group SM 26

ANALYST Amacher

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY18 | FY19 | FY20 | 3 Year Total Cost | Recurring or Nonrecurring | Fund Affected |
|--------------|---------------|---------------|------|-------------------|---------------------------|---------------|
| Total | Indeterminate | Indeterminate | | | Nonrecurring | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
Legislative Education Study Committee (LESC)

Responses Received From
Regional Education Cooperatives Association (RECA)

No Responses Received From
Department of Information Technology (DOIT)
Public Education Department (PED)

SUMMARY

Synopsis of the Senate Memorial

Senate Memorial 26 tasks the Legislative Education Study Committee (LESC) in consultation with the Public Education Department (PED) to convene in a virtual charter school work group. The work group is to research and identify best practices of virtual charter schools with findings and recommendations due to the Legislative Education Study Committee by December 1, 2018.

FISCAL IMPLICATIONS

It is to be expected that costs associated with the working group, such as per diem costs incurred attending a meeting, could be paid by the member's organization.

SIGNIFICANT ISSUES

Senate Memorial 26 tasks the LESC and PED to convene a working group to research and identify best practices of virtual charter schools with findings and recommendation due to the Legislative Education Study Committee by December 1, 2018.

As proposed, this working group is comprised of teachers, superintendents, and representatives from schools and organizations in public education and charter schools. Specifically this group is to:

- Identify best practices from high-performing virtual charter schools and authorizers of virtual charter schools;
- Research innovative virtual charter school models and how those models affect student and school performance;
- Provide recommendations regarding funding, definitions of virtual charter schools in law, and any other recommendation deemed necessary.

In December 2017, the LESC and LFC published a Joint Program Evaluation on the Financial Responsibility, Governance and Student Outcomes of Virtual Charter Schools. This evaluation examined the three existing virtual charter schools in New Mexico, assessed each school's academic outcomes, fiscal responsibility, and governance. New Mexico Virtual Academy (NMVA), New Mexico Connections Academy (NMCA), and Pecos Connections Academy (PCA) performance is reported in the program evaluation; and the outcomes indicate significant loss of value of funding received and unacceptable student achievements compared to brick-and-mortar schools in New Mexico. Recommendations are included in the program evaluation for consideration by the legislature, the PED and charter authorizers.

PERFORMANCE IMPLICATIONS

The tasks outlined and the membership of the working group outlined in this memorial appear to duplicate efforts recently performed and reported on by the LESC, the Legislative Finance Committee (LFC), the PED, and many educators and administrators statewide. For example: participants in the evaluation included representatives from PED, the Farmington Municipal Schools and the Carlsbad Municipal Schools. The program evaluation includes a letter from a former teacher from PCA (reference page 33 of the program evaluation). Appendix B: Summary of virtual charter school research highlights best practices of virtual schools nationwide. Appendix C: Statutes governing virtual charter schools offers many examples of existing law provisions addressing definitions, oversight, and governance.

It may be of some value to consider the report as part of the work plan in the interim in developing legislation that may be available for consideration in the next legislative session. Duplicating efforts by creating another working group to develop another report within a year of this evaluation may further delay any significant legislation for the improvement and benefit of New Mexico students.

OTHER SUBSTANTIVE ISSUES

Virtual charter schools serve lower rates of low-income, English learning, and special education students than the statewide average as outlined in the program evaluation. More than 2,000 students in New Mexico receive their education through virtual charter schools. Since, opening,

these schools have struggled to produce acceptable student outcomes, demonstrate fiscal responsibility, and comply with state law. The program evaluation reports lower academic proficiency rates and growth in academic achievement compared with statewide averages. On average the fourth through eighth grade virtual charter school student experienced the equivalent of between 91 and 161 fewer days of learning than the average brick-and-mortar school student from FY15 to FY16.

As noted in the program evaluation, the majority of research on student academic outcomes indicates public virtual charter school students do not demonstrate the same level of academic growth on average as their peers in traditional brick-and-mortar schools, even after accounting for differences in demographics. The Center for Research on Education Outcomes found virtual charter school students lost 180 days of learning in math and 72 days of learning in reading over the course of a single year, based on a 180-day school year. Statewide, 37 percent of students were proficient in reading, and 20 percent were proficient in math in FY17. In FY17, only 18 percent of NMCA students were proficient in reading and 11 percent were proficient in math. Furthermore, 24 percent of NMVA students were proficient in reading and 10 percent were proficient in math for the same year.

In December 2017, the Public Education Commission voted to not renew New Connections Academy's charter, citing the school's failure to meet numerous performance standards.

In December 2016, the Farmington Municipal Schools Board of Education voted to close NMVA. The decision was the culmination of several years of mounting anxiety about the school's performance and fiscal practices. At the hearing, the Board of Education cited concerns with NMVA's graduation rate, math and reading proficiency rates, and lack of a procurement officer. In February 2017, the Board of Education then approved a two-year renewal of NMVA's charter with more than 25 conditions. Among those conditions, the board prohibited NMVA from renewing its charter with Farmington Municipal Schools beyond June 30, 2019.

Virtual charter schools spend approximately a third of the amount spent on instructional staff per student compared with brick-and-mortar schools, and a quarter of the amount per student spent on plant operations and maintenance. However, the funding formula treats virtual charter schools similarly as brick-and-mortar schools. In FY17, the three virtual charter schools in New Mexico spent \$7.5 million, or *50 percent of the schools' \$15 million in total funding*, to two out-of-state for-profit companies to provide curriculum and other educational services. These expenditures lack oversight and transparency. Invoicing from curriculum providers lacks detail, and some virtual charter schools failed to get approval from procurement officers prior to signing contracts and making large purchases.

Independent auditors noted multiple findings in audits of the New Mexico Virtual Academy and New Mexico Connections Academy in FY15 and VY16. Additionally, two virtual charter schools appeared to select curriculum providers prior to charter authorization. This suggests the schools intended to contract for curriculum and online services before putting out a request for proposals for the services.