

VIRTUAL CHARTER SCHOOLS: FUNDING AND ACCOUNTABILITY

AGENCY: Public Education Department

DATE: September 15, 2016

PURPOSE OF HEARING: Consider possible policy and legislative options for virtual charter schools.

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EXPECTED OUTCOME: Possible direction on potential draft legislation for the 2017 legislative session.

Pecos Connections Academy (PCA) began operations with the current school year. Current student enrollment is 293. PCA staff note the applicant pool is 563; they indicate the difference between the applicant pool and current enrollment is due to missing documentation in some applications. Like NMCA, PCA has an enrollment cap of 2,000 students.

The issue of virtual charter schools is one that has remained largely unaddressed in New Mexico law; there is no differentiation between virtual charter schools and traditional charter schools, or between virtual schools and traditional brick-and-mortar schools, in the Public School Code. Over the course of the last several interims, LESC has heard reports on the state of virtual education in the state and the nation, even as the number of virtual schools and online students in the state has increased but does not address any of the identified issues. During the 2014 interim, LESC formed a Charter Schools Subcommittee, which briefly considered issues pertaining to virtual charter schools, but ultimately decided including virtual charter schools within the scope of work of the subcommittee would be difficult. While the committee has heard testimony concerning virtual charter schools on a number of occasions, the Legislature has not enacted any law specific to online education, leaving the virtual charter school situation in New Mexico unchanged.

According to *Keeping Pace with K-12 Online Learning: An Annual Review of Policy and Practice*, from Evergreen Education, in 2015, 25 states operated virtual charter schools, serving approximately 275 thousand students. Of these, 175 thousand students attended schools supported by K12, Inc. or Connections Academy, the two largest for-profit charter school management corporations, both of which operate schools in New Mexico. The annual report also notes the landscape of online education appears to be changing, moving from a focus on fully online virtual schools to blended learning models, where the student receives only part of their education online, while part is received in a brick-and-mortar location. For example, many students have begun taking online courses while physically attending their brick-and-mortar school.

Currently, three fully online virtual charter schools operate in New Mexico: New Mexico Virtual Academy (NMVA), authorized by Farmington Municipal Schools (FMS), and associated with K12, Inc; and New Mexico Connections Academy (NMCA), located in Santa Fe and chartered by the Public Education Commission (PEC), and Pecos Connections Academy (PCA), authorized by Carlsbad Municipal Schools, both of which are associated with Connections Academy of New Mexico, LLC, which is, in turn, associated with Connections Education, LLC.

This staff brief will examine two key issues pertaining to virtual charter schools in New Mexico: funding for virtual charter schools, and virtual school accountability, while also looking at how other states are dealing with these issues.

Funding for Virtual Charter Schools in New Mexico. Funding needs of virtual charter schools differ from traditional schools in a number of ways; as new as virtual schools are, researchers and policymakers are still finding areas of concern with regard to the funding of online schools. For example, one issue that is often noted in New Mexico is the potential impact of virtual schools on the funding of traditional

Between FY14 and FY15, students transferred from 46 different school districts to NMCA. Eleven percent of these transferred from Albuquerque Public Schools, 3 percent from Rio Rancho Public Schools, and 2 percent from Santa Fe Public Schools. Twenty-five students from Farmington transferred to NMCA, despite the presence of NMVA in the school district. In FY16, NMCA had students living in every county of New Mexico except Harding County.

schools. In New Mexico, funding generally follows the student, meaning that if a student transfers from a traditional public school to a charter school, that charter will receive that state equalization guarantee (SEG) funding for that student, drawing the money away from the local school district. (Table 1 shows the distribution of students in NMVA and NMCA, by county.) Virtual schools present a new wrinkle in this issue. The opening of a new charter school, or the expansion of an existing one, requires notice to the local school district in which the charter school is located. This affords officials at the school district an opportunity to plan for the potential effects on their funds that a charter school may cause by drawing students away from the traditional schools. Virtual schools, however, may draw students from any school district in the state. Despite this, New Mexico law does not currently require notice from virtual schools to be provided to all school districts; because New Mexico law is silent on the matter of virtual schools, they are subject to requirements identical to those of brick-and-mortar charter schools, and must only serve notice of their intent to open or expand to the local school district in which the virtual school is located. The loss of predictability for other school districts may be particularly difficult for rural districts, many of which already are experiencing enrollment declines and have fewer resources than more heavily populated school districts; drawing even a few students from such school districts may have a disproportionate effect on their budgets.

Table 1. Distribution of Virtual Charter School Students by County

County	NMCA	NMVA	Total	%Total
Bernalillo	332	121	453	24.3%
Sandoval	108	36	144	7.7%
San Juan	46	72	118	6.3%
Santa Fe	72	30	102	5.5%
Dona Ana	59	34	93	5.0%
Valencia	63	25	88	4.7%
Lea	38	22	60	3.2%
Chaves	32	27	59	3.2%
Otero	47	9	56	3.0%
Eddy	44	9	53	2.8%
23 other counties	220	115	641	34.3%
Total	1,061	500	1,868	100%

Source: LFC Report 16-01

The National Center for Education Statistics notes traditional schools may spend up to 10 percent of their budgets on facilities and maintenance, 9.4 percent on mechanics and operations, and 4.4 percent on transportation.

Another issue that should be examined is the determination of MEM for virtual charter schools. New Mexico, like most jurisdictions, still bases its virtual school student-count on attendance and seat-time; funding is based on average enrollment figures from the 80th- and 120th-day count, just as it is for traditional schools (Section 22-8-25 NMSA 1978). Direct application of this formula to virtual schools is problematic, as virtual students have far less seat-time than their traditional school peers, making effective funding based on attendance inappropriate. Some jurisdictions have begun to base their funding of virtual schools on enrollment figures, rather than attendance, but even this does not address problems such as a student failing to complete a course, then transferring to another school, which may result in that student being funded twice for the same coursework: once for the incomplete program, then once for the new school to which the student has transferred. A more practical and effective approach may be to fund students based on course completion, as Florida does; in fact, Florida requires their virtual students to pass an end-of-course exam before allocating funding, thus assuring that the allocation is spent effectively (Section 1002-45(8)(a)(2) Fla. Stat.).

While most agree that the cost of virtual schooling is less than that of traditional schools (due to less overhead for facilities maintenance and student travel, for example), there is little research to indicate the exact cost difference between the two. The National Center for Education Statistics (NCES) indicates virtual schools may spend as much as 25 percent less than traditional schools, due to costs not shared by virtual schools, such as facility maintenance.

According to a recent Legislative Finance Committee (LFC) report, however, virtual school costs are not significantly lower than those of traditional schools, even considering such factors as facility maintenance costs, suggesting that virtual schools in New Mexico have not demonstrated cost-effectiveness when compared with their traditional counterparts.

Conversely, however, the LFC report also indicates virtual schools have completely different cost structures than brick-and-mortar schools. For example, South Valley Academy, a brick-and-mortar charter school, spent 82 percent of total operational expenditures on salaries and benefits in FY15 while NMVA only spent 33 percent. Approximately half of NMCA's operational expenditures were on supplies, such as software, computers, and other instructional materials. The report notes, however, that both schools serve the same grade levels and have similar student enrollment, suggesting that virtual school funding be examined in a different way than traditional schools. Further, while virtual schools may appear to spend more on instruction than traditional charter schools, those instructional costs include noninstructional-related expenses, such as enrollment processing, student records support, and technical support.

The LFC report also notes one potentially troubling aspect of New Mexico's virtual charter schools' fiscal practices. Due to their close ties to their parent organizations, NMVA and NMCA purchased their

Most fully online school funding falls into one of several categories:

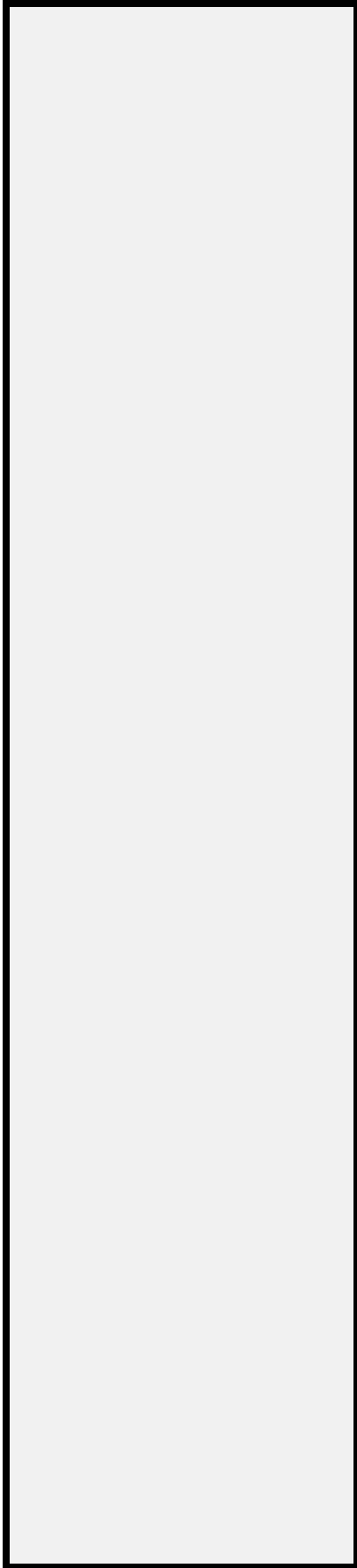
- Online schools may be charter schools, and receive funding that is equal to physical charter schools.
- Online schools may be charter schools that are funded at a lower rate than physical charter schools.
- Online schools may be a mix of charter and non-charter schools, and funded at a rate that applies to all online schools.
- All students may be funded at similar levels regardless of delivery method, though charter schools may still be funded at a lower level due to adjustments made in funding formulae.

curricula, equipment, support services, and the like from K12, Inc. and Connections Academy of New Mexico, LLC, respectively. In 2015, NMVA paid K12, Inc. approximately \$1.5 million, while NMCA paid Connections Academy of New Mexico, LLC, approximately \$3 million for curricula, technology, equipment, and support. NMVA, however, did not undertake a request for proposals (RFP) for suppliers of educational services; the contract with K12, Inc., stipulates K12 as the sole provider of educational products and services, begging the question as to whether similar products might have been supplied by another provider at a lesser cost. NMCA, however, did undertake an RFP process, but received relatively few bids, and ultimately awarded the contracts to Connections Academy of New Mexico, LLC. It is possible, therefore, that both schools might have secured their curricula, equipment, and support for less money than was actually spent.

The LFC report concludes that, based on the many differences in operations, maintenance, and educational costs, New Mexico needs to develop a new funding formula to address the particular needs and financial situations of fully online schools. The current funding formula, which applies to all public schools, including virtual charter schools, does not consider the unique circumstances of fully online schools.

Virtual Charter Schools and Capital Outlay. Like most other statutes, capital outlay statutes in the Public School Code are silent with regard to virtual charter schools. On their face, virtual charter schools appear to be able to access lease assistance, building systems, and standards-based funding pursuant to the Public School Capital Outlay Act (Section 22-24-1 NMSA 1978), SB-9 funds pursuant to the Public School Capital Improvements Act (Section 22-25-1 NMSA 1978), and HB-33 funds pursuant to the Public School Buildings Act (Section 22-26-1 NMSA 2978). However, how these statutes currently allow access to charter schools present multiple issues when applying them to virtual charter schools. While many of the issues noted below have not yet materialized, the Legislature may want to address them before they become larger issues.

Lease Assistance. Section 22-24-4 NMSA 1978 allows the Public School Capital Outlay Council to make lease assistance payments from the Public School Capital Outlay fund for leased classroom facilities, including facilities leased by charter schools. Grants are limited to the lesser of the actual lease payment or the statutory reimbursement rate per MEM using the leased classroom facilities. The reimbursement rate is currently \$736.25 per MEM for the 2016-2017 school year. There is some ambiguity in the phrase “per MEM using the classroom facilities,” though the Public School Capital Outlay Council (PSCOC) has interpreted this, with regard to virtual charter schools, to only include an average daily attendance that is physically present at the leased facility. The issue first surfaced in FY13 with the approval of NMVA in Farmington. The school applied for lease assistance funding based on their total enrollment, which was around 500 students in its first year of operation; however, only 12 of those students would typically be in the building on any given day.



Standards-Based Funding. PSCOC established maximum allowable square foot guidelines for entire facilities based on the type of school (elementary, middle, or high school) and number of students. Again, because funding decisions are based on the number of enrolled students and there is no reference to virtual charter schools in law, regulation, or the adopted Adequacy Planning Guide, it is unclear what student enrollment would be considered for the purpose of making an award. Would the school be entitled to an award based on total student enrollment even though only a few students physically use the space at any given time?

SB-9 and HB-33 Funding. Both SB-9 and HB-33 funding are local property taxes imposed by local school districts. Charter schools are eligible for a per-MEM distribution if they meet the following criteria:

- SB-9: the improvements the charter school will use the SB-9 funds for have been provided to the school district and are included in the resolution that is submitted to the voters; and
- HB-33: the improvements the charter school will use the HB-33 funds for are included in the facility master plan (of the charter school for state-chartered charter schools or school district for locally chartered charter schools) and have been provided to the school district and are included in the resolution that is submitted to the voters.

Virtual charter schools enroll students from across the state. For example, in the FY15 school year, students transferred into the NMVA from 41 school districts; these students did not move to Farmington though. SB-9 and HB-33 funding allocation to charter schools based on student enrollment raises several issues. First, is a virtual charter school that enrolls most of its students from outside of the district in which the home office is geographically located able to receive local property tax revenue for enrolled students that physically reside in other school districts across the state? Should a virtual charter school located within the boundaries of one school district that enrolls students from multiple school districts be able to access property tax revenue from other school districts? Should virtual charter schools be able to receive a per-MEM distribution of local property taxes meant for capital outlay when capital outlay needs are very different than traditional brick-and-mortar schools?

The Legislature may want to consider amending pertinent sections of the Public School Code to establish explicit parameters for awarding capital outlay funds to virtual charter schools. In doing so, the Legislature may want to consider the difference in capital funding needs of a virtual charter school versus a brick-and-mortar school, and differences in student residences and enrollment issues that lead to funding decisions.

Pecos Connections Academy (PCA) also maintains a physical location, where their offices are located, for student and parent drop-in. That location can accommodate from 35-50 students at one time. According to their staff, students from further away seldom come into this location for support; rather, the school sends their teachers out to their students' communities when necessary. PCA staff also noted that their good relationship with FMS affords them the opportunity to request a larger space, in order to accommodate larger groups of students. For example, ELL testing is conducted one-on-one, and a teacher or administrator will travel to the students, utilizing space at nearby colleges or local libraries.

Transportation Funding. As noted with regard to other areas of law in New Mexico, the unique aspects of virtual charter schools are unaddressed in law and rule dealing with transportation funding. Thus, how a particular virtual school deals with transportation is governed by the same considerations as their brick-and-mortar counterparts: State-chartered charter schools receive a transportation distribution from the Public Education Department (PED), like local school districts, while locally chartered charter schools must negotiate with the school district in which they are located for transportation. Those negotiations may limit transportation boundaries for the charter school to the geographic boundaries of the local school district.

For most virtual schools, transportation is a minor consideration; the very nature of virtual schooling often obviates the need for student transport. Students log in for classes on their computer, which may or may not be contemporaneous with instruction or other students. While most virtual schools have a physical learning center location for student support, these centers often can only support a fraction of a school's student body at one time. For example, the Farmington Learning Center for NMVA, which has a student body of approximately 500, can accommodate up to 40 students when testing, or 8 percent of enrolled students. According to NMVA staff, that number of students seldom attends the Learning Center at any one time, except for assessments or other group activities. With such a small portion of the current student body attending the Learning Center, and without any requirement for regular, daily transportation, it would be difficult to predict the school's actual transportation needs. As a practical matter, it is unlikely students who live far from the school would often come to the Learning Center. Nevertheless, NMVA may negotiate with Farmington Municipal Schools (FMS) for any transportation they may require. However, as noted above, Farmington may choose to limit the boundaries of transportation to the boundaries of the school district, explicitly excluding those students who reside farther away.

NMCA also has several areas set aside for student support, tutoring, make-up testing and the like. They have seating available for parents and students as well. Teachers have work space where they can work with students, and common areas and the conference room at available when needed, as well. In total, at one time, NMCA, which currently enrolls 1,068 students, can accommodate up to 18 students, though they seldom have that many at one time.

Virtual charter schools do not have daily ridership and their transportation needs are uncertain and likely to be sporadic in nature, related to periodic field trips, for example, without corresponding to the 80th- and 120th-day student counts. Given these circumstances, the committee may wish to consider the propriety of including virtual charter schools in regular transportation funding at all.

Enrollment Growth. According to a recent LFC report, New Mexico's charter schools, while only serving 7 percent of the student population, have received 46 percent of public school funding increases over the past seven years. During the 2015-2016 school year, districts received

In FY14, an LESC subcommittee on charter schools found that Albuquerque charter high schools use their small size as a competitive advantage to gain enrollment and receive 32 percent in size adjustment and enrollment growth program units funding which translates to \$2,000 in additional funding per student relative to Albuquerque Public Schools (APS). For instance, Albuquerque charter schools received \$23 million in size adjustment and enrollment growth program units in FY14.

The language included in the *GAA of 2015* only provides a temporary solution to the issue of double-funding because it must be included in the GAA annually and is subject to veto. During a meeting with LFC and LESC in fall 2015, PED indicated they did not intend to implement the GAA provision to eliminate the double-funding as the Legislature intended, and in 2016, similar language was vetoed.

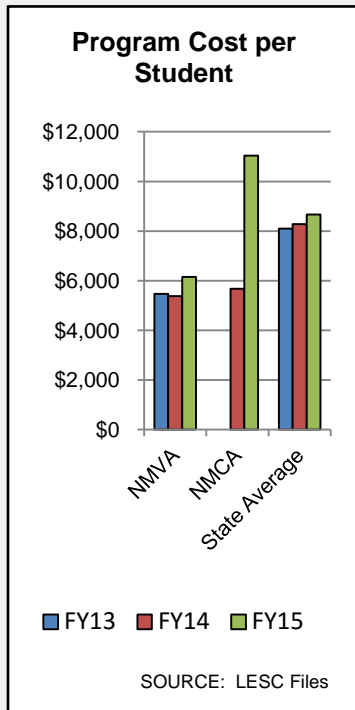
an average of \$7,638.44 per student while charters received an average of \$8,731.91 per student, or \$1,093.47, or 14.3 percent more operational funding per student than school districts. The public school funding formula gives extra weight to smaller schools, which often benefits charter schools, many of which have small enrollments. The report noted that charter schools dilute the amounts of money available to all public schools through factors like enrollment growth, while performing at levels that generally are on par with traditional public schools.

The enrollment growth provision (Section 22-8-23.1 NMSA 1978), enacted in 1990, allowed school districts to generate enrollment growth units recognizing there is a real cost to adding a significant number of new students in any given school year and funding is based on prior year enrollment; it was amended in 2006 to also allow charter schools to generate enrollment growth units. Enrollment growth units are triggered only when a school district or charter school experiences an increase in student membership equal to or greater than 1 percent compared with the immediately preceding year. Growth from zero to 1 percent is funded with 0.5 units per student whereas growth greater than or equal to 1 percent is funded with 2 units per student.

A second, unrelated provision historically has been included in the General Appropriation Act (*GAA*), with charter schools being first included in the provision beginning with the *GAA of 2012*, which allows a school district or charter school to use current year membership reporting for new formula-based programs. This language allows any school district or charter school that is starting a new program to use current first reporting date membership for the purposes of generating funding. Absent this language, a school district or charter school beginning a new formula-based program would be required to fund the program the first year and would begin generating formula funding the second year. "New formula-based programs" include newly phased-in grade levels planned by charter schools. However, these same students are also counted toward the calculation of enrollment growth units, often causing year-over-year enrollment growth of at least 1 percent, resulting in the double funding of these students. Language was included in the *GAA of 2015 and GAA of 2016* to address this double funding; however, this language was not implemented by PED in 2015, and was vetoed in 2016.

When authorized, charter schools include in their contracts an estimate of their student bodies based on all the grades the school is planning on eventually teaching, even if the school initially opens with only one or two of those grade-levels in attendance, often adding other grades, gradually, over the course of several school years. This may create instances of consecutive annual double-funding for certain students in some schools.

Virtual charter schools can present new challenges in the implementation of enrollment growth. Because virtual schools lack any natural, physical limitations on the number of students they may serve, caps on the number of students a school is permitted may be much



There are other jurisdictions, such as Nebraska that make no separate provision, though this appears to be an issue of the status quo, not a conscious policy decision to fund virtual schools just as traditional schools are funded. States are in very different positions from one another regarding provision for virtual education, with the issue still being relatively new in many jurisdictions. The fast-moving pace of expansion in the field of virtual elementary and secondary education, however, requires a policy response, as it is clear that these schools have completely different operating and educational models, as well as different fiscal concerns.

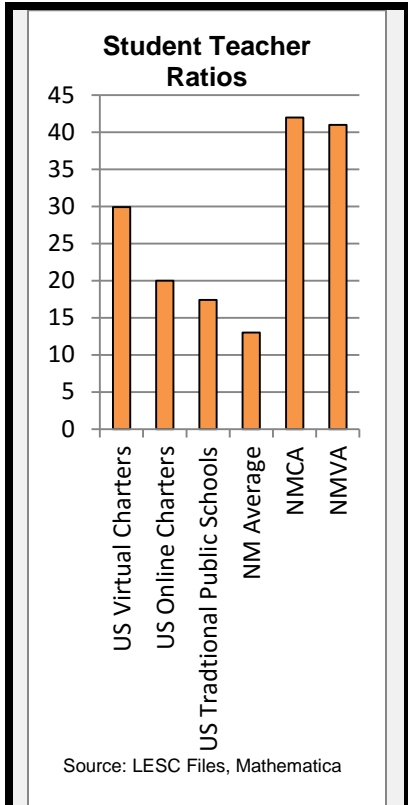
larger than their traditional counterparts. For example, NMCA currently has an enrollment cap of 2,000 students. From FY14 to FY15, the school increased its enrollment by 65 percent, from 481 to 792 students. This increase resulted in enrollment growth funding of \$2.4 million, which accounted for 49 percent of their overall program cost, which increased from \$2.7 million in FY14 to \$4.9 million in FY15. This, in turn, increased the schools’ per student funding from \$5,672 in FY14, to \$11,039 in FY15, an increase of approximately 51 percent.

From FY15 to FY16, the school’s enrollment increased again by an additional 34 percent, bringing the total enrollment to 1,063 students. This increase resulted in enrollment growth funding of \$2.5 million, which accounted for 33 percent of their overall program cost, which increased from \$4.9 million in FY15 to \$7.5 million in FY16. This resulted in NMCA’s per student funding of \$9,293.

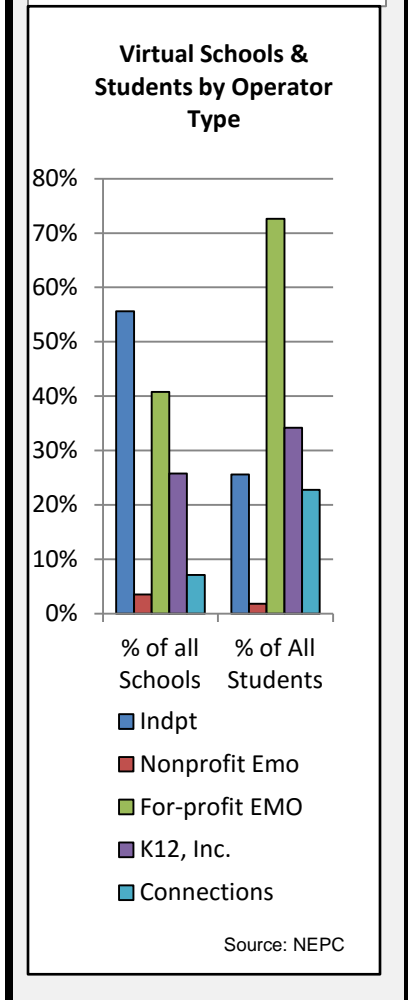
LFC notes that this large increase in funding indicates that enrollment growth program units are being over allocated through the funding formula. Further, NMCA expects to reach its enrollment cap of 2,000 students in the next few years, meaning further increases in program costs and per student funding for the academy can be expected.

Virtual Charter School Funding in Other States. While some states fund virtual schools in the same manner as traditional schools, some have begun funding them via different formulae:

- Arizona, which funds full-time students in virtual schools at 95 percent of the base support level, and 85 percent for part-time students, with additional assistance calculated in the same manner as traditional schools;
- California, which counts students based on average daily attendance, but most online schools use an alternative framework known as “independent study”, where completed assignments are “equated” to a number of days of attendance;
- Colorado, which begins with a constitutionally derived minimum per pupil funding that is then adjusted for various factors, including online status and budgetary constraints;
- Florida, which funds students in virtual instruction through the Florida Education Finance Program within their general appropriation act. With the beginning of this school year, funding is adjusted for the student after successful completion of an end-of-course exam;
- Minnesota, which decreases the students’ average daily membership for their home or offline district, and increases it for the online district in proportion to the number of semester courses completed online; and
- Nevada, beginning this year, will afford all Nevada students an opportunity to attend private school, online school, or home-based education under the Nevada Education Savings Accounts (ESA) program. Under the program, the parents of participating students will receive a portion of funding the State of Nevada spends on



public school students — between approximately \$5,100 and \$5,700 per year — to pay for nonpublic school education and related expense. Parents decide how and where to spend the money. The Nevada ESA program helps families who otherwise could not have afforded alternative education.

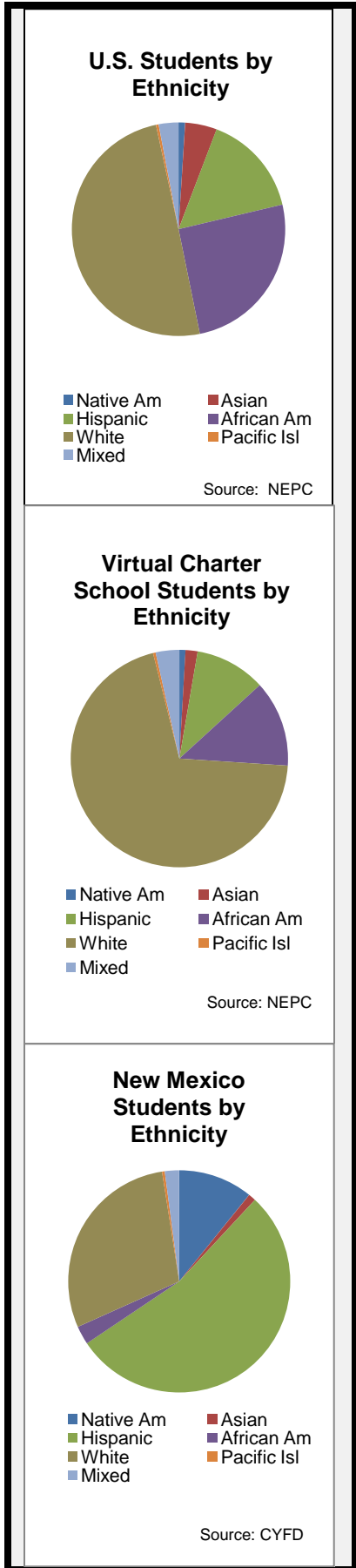


Accountability in Virtual Schools. While enrollment in virtual schools is increasing across the country, an accountability system for online schools is needed to ensure high quality programs. Students enrolled in virtual schools should be held to the same standards as students in traditional brick-and-mortar schools. In their unique environment, virtual school students are empowered by having access to an online learning space that is adapted to the student’s individualized needs. Additionally, online learning has the potential to keep students engaged and assisted as necessary, to allow students access with highly effective teachers regardless of location, and to allow students to learn and master content at their own pace leading to higher levels of attainment. To ensure success of these students, an accountability system should be designed to promote high quality instruction and increase student achievement, individual growth in the area of college and career readiness, closing achievement gaps, and promoting a more comprehensive set of data to understand student learning outcomes and growth trajectories.

National Research and Approaches to Virtual School Accountability in Other States. According to research from Figlio and Loeb in 2011, school accountability is the process of evaluating school performance on the basis of student performance measures. Virtual charter schools are held accountable for student learning outcomes by their authorizers. In general, these schools are held to most of the same reporting and oversight requirements as traditional brick-and-mortar schools.

Based on data collected from the National Charter School Resource Center, virtual schools face a variety of accountability concerns. These issues range from input measures, including course-content approval, provider accreditation, and seat time, to setting appropriate performance targets. Additional concerns include: teacher evaluation systems that do not capture the positive impact or potential of increased reach to students in hard-to-staff urban and rural schools; and who should be held accountable if virtual schools are not effective. *A Call to Action: To Improve the Quality of Full-Time Virtual Charter Public Schools*, June 2016, from the National Alliance for Public Charter Schools, outlined additional accountability concerns, including full-time virtual school students have much weaker academic growth overall, perform worse than traditional public school students in most states, and all subgroups of students have weaker academic growth in full-time virtual charter schools than traditional public schools.

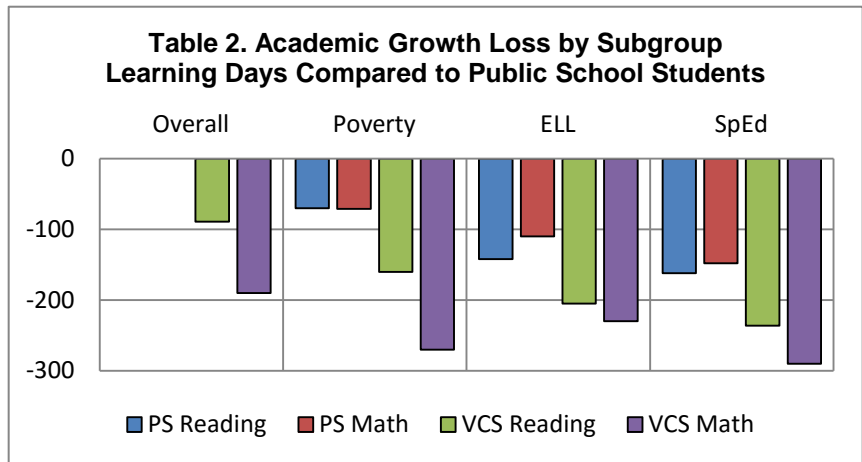
According the National Education Policy Center (NEPC), of 121 virtual schools surveyed, only 18 percent had proficiency rates higher than their state average. Of virtual schools operated by for-profit education management organizations, such as K12, Inc, 17 percent were above the state average, while 50 percent of schools operated by nonprofit



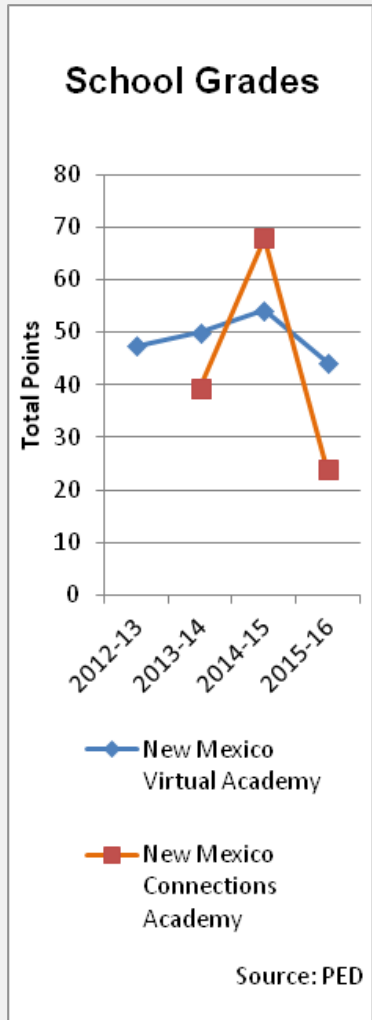
education management organizations (EMO) met or exceeded state averages, and 14 percent of independent virtual schools met or exceeded state averages.

Similar results were found for virtual charter graduation rates when compared to the national average. The national average for on-time graduation is 81 percent in FY14. For virtual charter schools, the 4-year graduation rate was 40 percent. Virtual charter schools operated by for-profit EMOs had a graduation rate of 38 percent, and non-profits averaged 50 percent. Among charter schools with for-profit EMOS, K12-operated schools had a graduation rate of 33 percent, while Connections-run schools' graduation rate was 48 percent. (It should be noted that the n-size for several of these subcategories was quite small: For nonprofits, only eight schools had relevant data available, and of for-profit EMO-operated schools, 44 schools had relevant data. For K12 schools, only 18 were surveyed, and for Connections schools, only 13 were surveyed.)

The Center for Research on Educational Options (CREDO) at Stanford University released a study in October 2015 assessing the impact of online charter schools in 17 states and Washington, D.C. CREDO found that virtual charter school students nationally learned the equivalent of 72 fewer days in reading and 180 days fewer in math compared to traditional public school students; these results are even more pronounced among at-risk populations. It also found that none of the online school students outperformed their traditional peers in either subject.



The CREDO study noted several implications regarding the practices and impact of fully virtual education. First, while possibly a good fit for some students, evidence suggests virtual schools do not serve the current set of students very well. The flexibility in scheduling afforded by virtual charter schools can be either a benefit or liability, depending on the sort of student, as this sort of flexibility requires highly disciplined, self-motivated students to do well and maintain standards. The study suggests that virtual charter schools attempt to ascertain whether their programs are a good fit for their potential students' needs.



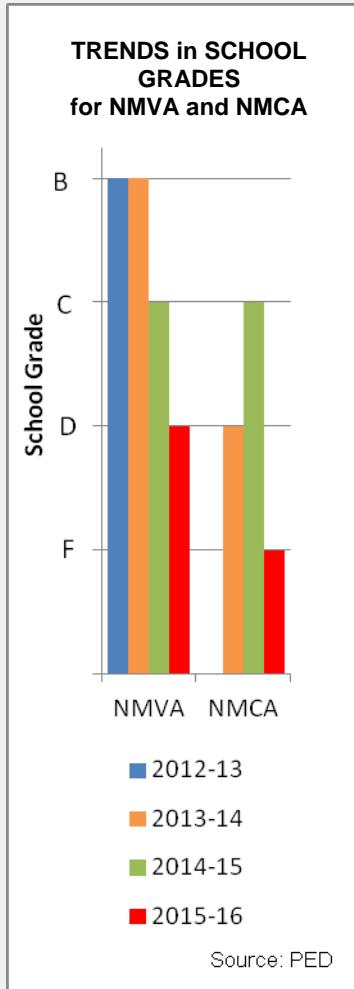
Second, current oversight policies for virtual charter schools appear to be insufficient for online schools. While some online charters have had consistently good results, most have not. The charter bargain, especially with regard to virtual school schools, in this context, is flexibility for accountability. CREDO suggests authorizers take a firm stance on the issue of improved outcomes for students in virtual schools.

Third, states should examine the current progress of existing virtual charter schools before allowing expansion or proliferation. Online schools have the potential to serve large numbers of students, with no geographical limitations on expansion, allowing for potentially rapid expansion. CREDO suggests authorizers ensure virtual charter schools demonstrate positive student outcomes before being allowed to grow.

Accountability of Virtual Schools in Other States. States differ in their accountability systems for virtual charter schools. For example, Colorado’s online programs are required to include quality standards for standards-based curricula, data-driven instructional practices, student academic performance and improvement, monitoring and assessment of student academic performance and improvement, data analysis, management, and reporting, engagement of parents, and provisions for students with special needs, including gifted students and English learners (ELs). In Florida, every virtual school provider must receive a school grade or a school improvement rating, and schools receiving a D or F grade are required to develop a plan for correction and improvement. In Arizona, new online schools are provided probationary status. If the virtual school clearly demonstrates the academic integrity of its instruction through the improvement of the academic performance of its students, the school may apply to be removed from probationary status. The Arizona state board of education or the state board for charter schools is required to remove from online instruction any probationary school that fails to clearly demonstrate improvement in academic improvement within three years.

New Mexico Virtual Charter Schools and Accountability. As of the 2015-2016 school year, there were two virtual charter schools operating in New Mexico. New Mexico Connections Academy (NMCA) is a state-chartered charter school located in Santa Fe that offers enrollment to students residing throughout the state in fourth through 12th grade, and New Mexico Virtual Academy (NMVA) is a locally chartered charter school located in Farmington that offers enrollment to students residing throughout the state in sixth through 12th grade.

According to a January 2016 Legislative Finance Committee (LFC) performance evaluation on charter schools, examples were provided on aspects of accountability for NMCA and NMVA. For instance, NMCA’s students work with a learning coach (usually a parent or guardian) who work closely with the teacher to ensure assignments are completed and that students stay engaged and motivated. Students at NMVA also complete all coursework online with instruction facilitated by a mentor (usually a parent or guardian) with the assistance of a state-certified teacher assigned by the school.

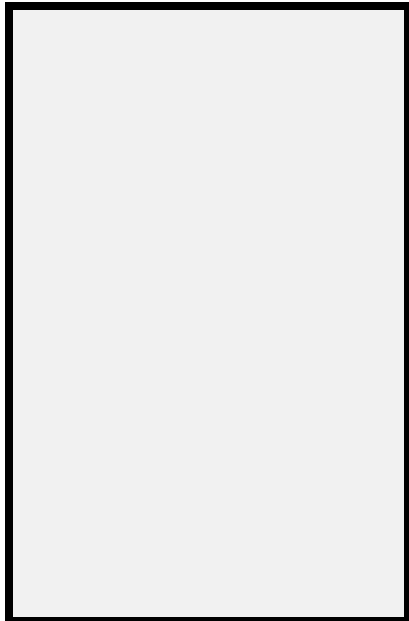


Quality control is needed in virtual schools in New Mexico. For instance, the LFC program evaluation noted that according to school administrators, NMCA provides a rigorous curriculum and student accountability system; however, the school received two instructional audit findings in FY15. The first audit finding found research-based strategies, interventions, and programs to meet the needs of EL students were not evident. The second audit finding found no evidence of employing effective teaching strategies including differentiated instruction to meet the learning needs of all students. Additionally, the LFC program evaluation found that several elements of the teacher evaluation rubric are not conducive to the online teaching module. Thus, promoting and sustaining an effective virtual school accountability system is in the best interest for all students in New Mexico.

Recommendations for an Effective Virtual School Accountability System. An effective accountability system for virtual charter schools should be performance-based and focused on increased proficiency, growth, and college and career readiness using multiple measures. It should also include an improved data collection and oversight system that fits the delivery method and capacity of the virtual school. Input measures and survey data can be used to target areas for improvement and to identify gaps in service. Virtual school board governing councils must be educated in the various components of the accountability system. These governing councils are also required to be held accountable for management of vendor relationships.

To ensure continued success of the virtual school, the accountability system should require disclosure of external partners, assist in the development of new effectiveness measures for teacher evaluation systems, and consider threshold activity requirements for interactions between adults and students. The accountability system should connect outcomes, whether positive or negative, when making decisions on increasing enrollment or closing persistently low-performing virtual schools.

Conclusion. Evidence indicates that the different circumstances and learning environments of virtual charter schools, when compared with brick-and-mortar charter schools and traditional public schools, require funding schemes, transportation plans, and accountability measures that both reflect and measure their unique requirements and outcomes. Virtual charter school funding requirements, while often similar to similarly situated traditional schools, should examine their particular needs and allocate accordingly. For example, basing funding on attendance and seat-time should be reconsidered, as physical attendance is a minor and irregular occurrence at virtual schools. Moreover, with enrollment caps of 2,000 at both Connections academies, permitting rapid expansion, the issue of enrollment growth should be reexamined with these considerations in mind. Similarly, while it is most desirable to treat all schools the same regarding academic accountability and student outcomes, it may be prudent to consider factors specific to virtual schools, such as less seat-time, synchronous versus non-synchronous instruction, course completion, etc.



The committee on several occasions has considered the issue of virtual charter schools, most recently with the LESC Charter Schools Subcommittee during the 2014 interim. Because New Mexico lacks statutes specifically addressing virtual charter schools and their issues, the task of crafting appropriate legislation will no doubt be daunting; yet, virtual charter schools are expanding and proliferating throughout the nation, a trend which is reflected here in New Mexico, where we have gone from no virtual charter schools to three in just four years. Moreover, two of these schools, New Mexico Connections Academy and Pecos Connections Academy both have enrollment caps of 2,000 students, potentially resulting in more greatly increased program costs as we have seen with NMCA, over the last two years. The issue of enrollment growth for these expanding schools impacts every school district in the state, not just through diluting the SEG with increased enrollment growth units, but also by drawing students from school districts throughout the state. The committee and the Legislature may wish to consider addressing these issues sooner, rather than later, as the impact of these fully online schools grows.