



## Information WPA Provided the Wisconsin State Legislative Audit Bureau

(Note: Text below in italics is from the Wisconsin statutes.)

To: Brianna Kleidon  
Legislative Audit Bureau

From: Larry Kaseman  
Executive Director  
Wisconsin Parents Association

Re: Financial and Performance Evaluation Audit of Virtual Charter Schools

Date: July 24, 2008

Thank you for requesting my input concerning the audit of Wisconsin's virtual charter schools as required by 2007 Wisconsin Act 222. I have outlined several areas that we think need serious investigation, provided background and analysis for specific points to be covered by the audit, and requested that key information be included in the audit report and findings.

Thank you for your consideration of these concerns and requests.

### **OVERVIEW OF INVESTIGATION NEEDED**

- Strong evidence suggests that Wisconsin taxpayers are paying more for virtual charter schools than they should be. The tax dollars being spent by public school districts operating virtual charter schools exceed reasonable costs for such programs, indicating a windfall profit for either the district or the corporation providing the virtual program or both. In addition, the school districts of residence for students enrolled in virtual charter schools through open enrollment are receiving approximately \$6,000 for each student each school year even though they only perform minimal administrative tasks and seldom if ever see the students. For details, see the information under (1) (a) 1 and 3 below.
- It will be difficult if not impossible to compare the academic achievement of virtual charter school pupils with that of pupils of similar socioeconomic backgrounds in other public schools in a way that provides an accurate assessment of the success or failure of virtual charter schools. Numerous studies from 1966 on have shown clearly that it is parental background, not programs offered by schools, that makes the difference in test scores. This reality cannot be overcome by simply comparing students of similar socioeconomic background, especially since many parents of virtual charter school pupils exhibit a high degree of initiative in seeking educational opportunities for their children (or they would have simply sent them to the local public school). Also, studies show that parental involvement in children's education improves test scores. Parents of virtual charter school pupils are obviously much more involved in their children's education than parents of pupils attending brick and mortar public schools. For details, see (1) (a) 4 below.
- Serious questions should be raised about the short- and long-term effects the use of computers, especially on the brain development of young children. See (1) (a) 8 below.
- At least two Wisconsin virtual charter schools are using false advertising. Although Act 222 makes it clear that virtual charter schools are not homeschools, as of this writing, these schools are contracting with Internet search engines so their ads appear in searches for "homeschooling," "homeschool," "home school," and other variations of the term. Presumably this advertising is being funded with tax dollars. See "Additional Concern" at the end of this document.
- Current statutes including Act 222 do not provide adequate accountability for tax dollars. For example, Act 222 requires compulsory education but does not provide a means for schools to report on this except through scores on state-mandated tests. Many research studies have shown that student achievement on such tests is much more strongly influenced by parental background than by factors such as time-on-task, teacher experience, quality of school, per pupil expenditure, etc. Moreover, there is no other reasonable measure of accountability for public money spent since Act 222 exempts virtual charter school pupils from the compulsory school attendance law. See (1) (a) 1 below.

In addition to these major concerns, please also consider information below concerning other portions of the statutory requirements for the audit.

## **BACKGROUND INFORMATION AND REQUESTS**

### *SECTION 23 Nonstatutory provisions.*

#### *(1) AUDIT.*

*(a) The legislative audit bureau shall perform a financial and performance evaluation audit of virtual charter schools. The audit shall do all of the following:*

*1. Compare the amount paid by the state for pupils attending a virtual charter school through the Open Enrollment Program to the actual educational costs of pupils attending virtual charter schools.*

To date, under current statutes (including 2007 Wisconsin Act 222), any school district involved with a virtual charter school has received tax dollars based on statewide per pupil expenditures rather than on the reasonable operating costs for such a school or the district's involvement in such a school. This approach constitutes a misuse and waste of tax dollars, especially since strong evidence points to the fact that districts are being significantly overpaid because the operating costs for virtual charter schools are much less than for brick and mortar schools.

Consider the following. (Given the differences in the structure and operation of individual virtual charter schools, their operating costs vary. However, some reasonable approximations can be made.)

First, for districts such as Appleton and Northern Ozaukee that are operating a virtual charter school that serves pupils in kindergarten through eighth grade, a reasonable per pupil cost would be something like this:

Curriculum: \$1,100 (Note: This is the cost for a private individual to purchase a curriculum from K12 Inc., the corporation providing a virtual charter school for the Northern Ozaukee School District, for one year for one grade level. It costs less for a one year curriculum from Calvert, the corporation working with the Appleton School District. Given the number of curriculums they need, school districts should be able to negotiate significantly lower unit costs.)

Teacher: \$1,000 (Note: Teacher/student ratios of 1 to 50 are not uncommon, and \$50,000 is a reasonable estimate for an annual salary, including benefits, for a full-time public school teacher.)

Administrative costs: \$500 (To cover office space, support personnel, etc.)

Computer and printer to loan to student: \$200 (School districts should be able to purchase computers and printers in bulk for less than \$1,000 total and use them for 5 years.)

DSL or other Internet connection: \$300 (This is an average that factors in areas where DSL is available for \$15 per month and others where more expensive satellite connections are required.)

Total \$3,100

For this program, taxpayers are currently paying the same as per pupil costs for brick and mortar public schools, that is, \$12,000.

Second, virtual charter schools that offer high school courses should have even lower operating expenses. Schools such as Waukesha School District's iQ Academy Wisconsin and high school operated by Monroe School District are based on courses offered by institutions that provide curriculum, required materials, teacher support, etc. As an example of costs, one well known school, the University of Nebraska Independent Study High School, charges a private individual an average of \$190 per course plus \$70 for materials. A typical course load of 5 per semester would cost \$2,600 per year. Presumably school districts operating such virtual charter schools could negotiate quantity discounts. Also, these high schools often do not loan students computers and would require fewer teachers since institutions like the University of Nebraska supplies teachers. Therefore, their costs should be even less than those listed in the first example. Again, taxpayers are paying \$12,000 per student per year.

Third, it should be noted that only about half of the \$12,000 paid by taxpayers goes to the school district operating the virtual charter school. The other \$6,000 goes to the district of residence of students enrolling in virtual charter schools. See (1) (a) 3 below for more on this.

Clearly, districts that are operating virtual charter schools or districts of residence for students using open enrollment are getting money from taxpayers well in excess of their operating costs. Given the language of the current open enrollment statute and the way enrollment in a local school district adds to the school district's tax base, there is no incentive for any-

one along the line to manage money in the public interest. In fact, there is a disincentive to do so. The school district of residence would lose money, the charter school would lose money, and the corporations and other institutions supplying curriculums and/or running the virtual charter schools for the school districts would lose money.

In addition, current statutes do not provide a reliable way to hold virtual charter schools or their teachers or students accountable for the excessive amounts of tax money they receive. For example, there is no reliable way to determine how much time a teacher is committing to individual students. However, since schools have teacher-student ratios of 1 to 50 or more, clearly not much time is being spent in this way.

Virtual charter schools are not subject to the compulsory school attendance law. Instead teachers are supposed to report students who fail to comply with directives and/or assignments in a timely manner. However, there is a disincentive for teachers and administrators to report students because doing so would leave a paper trail indicating the school was unsuccessful and teachers and schools would lose the money associated with students who were required to leave the school. This further limits accountability.

School districts will undoubtedly claim that their actual operating costs are higher than the costs outlined here. However, this audit should include a statement of what reasonable operating costs would be.

It should also be noted that as long as the state is providing excessive money to school districts for virtual charter schools, districts will spend it. Being cost effective in operating a virtual charter school does not give a district any benefits such as economic security or job security. In addition, the "use it or lose it" reality drives the expenditure of money.

**Request:** Please consider including in the audit report and findings: o an estimate of reasonable operating costs for virtual charter schools,

- an indication of the excessive amounts that taxpayers are currently paying for such schools including the amounts paid each year to school districts of residence, and
- the need for new legislation to make the amount taxpayers pay consistent with operating costs and to hold virtual charter schools accountable for their use of tax dollars.

2. *Compare the cost of educating pupils in virtual charter schools to the cost of educating pupils in other public schools.*

The points made about virtual charter schools in 1. above also apply here.

3. *Determine the actual and potential effects of state payments for pupils attending virtual charter schools through the Open Enrollment Program on the budgets of the school districts in which the pupils reside and on otherschool districts.*

The districts of residence of pupils enrolling in virtual charter schools through open enrollment receive approximately \$6,000 per pupil per year. Basically these districts only have minimal administrative duties; often they don't even see the pupils. If the pupils were below compulsory school attendance age or enrolled in a private school (including a home-school) prior to enrolling in a virtual charter school, the district may never have seen them.

The economic benefits to the district are enormous for students who have not previously attended a public school in the district, especially since the payment through open enrollment can be repeated annually for as long as the pupil continues to use open enrollment. However, note that this benefit applies only to the school district's administrators, teachers, and staff. The residents of the school district residents and taxpayers throughout Wisconsin do not benefit and instead have to pay more taxes.

However, when students who previously attended a public school in the district switch to open enrollment so they can attend a virtual charter school, the district will probably see the resulting loss of \$6,000 as an economic hardship even they will still get \$6,000 and will have fewer students for whom they need to provide teachers, supplies, etc.

If over time test scores of virtual charter school pupils are consistently higher than other public pupils' scores, there may be a push to supply online curriculum to public school students at computer stations in brick and mortar schools to reduce per pupil expenditures and still get high test scores. There may also be a push to privatize education in the home whereby parents would be provided money or tax credits to educate their children in their homes subject to state education standards and testing. This could significantly reduce the tax base of local school districts, especially at the high school level where pupils would be old enough to study independently without constant parental supervision, allowing parents to continue to work outside the home while still receiving the economic benefits of a home-based school voucher program.

**Request:** Please consider recommending changing the statutes so that the district of residence does not receive \$6,000 for

each pupil who enrolls in a virtual charter school in another district through open enrollment since they do little if anything for them.

4. Compare the academic achievement of pupils who attend virtual charter schools to the academic achievement of pupils of similar socioeconomic backgrounds who attend other public schools.

It is very difficult to measure pupils' academic achievement and even more difficult to use comparisons of academic achievement to assess the quality of the schools the pupils attend. Many people assume this can be done using scores on standardized tests. However, important, reliable, highly regarded studies since 1966 have shown that parental background is a far more accurate predictor of how pupils will score on tests than is any aspect of a school program. Therefore, test scores are not an accurate or useful way of assessing the strength or effectiveness of academic programs or approaches to education, even when pupils of similar socioeconomic background are compared.

Evidence to support these statements can be found in the following sources, covering a span of over 40 years.

- In 1966, James Coleman's *Equality of Educational Opportunity* reported that the difference in academic achievement between black and white students is much more strongly influenced by their family background than by the quality of the schools they attend.
- Since Coleman's study, many others have attempted to determine whether school variables such as per pupil expenditure, teacher training, etc. correlate positively with student achievement. Those that are statistically significant have consistently been shown not to demonstrate a positive correlation. For example, in 1986, Eric Hanushek compared the results of 147 studies of academic achievement. He showed that any number of school related variables cannot be shown to correlate positively with student achievement. Variables included teacher/pupil ratio, teacher education, teacher experience, teacher salary, and expenditure per pupil. He also concluded that, "Family background is clearly very important in explaining differences in achievement. Virtually regardless of how measured, more educated and more wealthy parents have children who perform better on average." This important and highly regarded article continues to be cited by both liberals and conservatives. See "The Economics of Schooling: Production and Efficiency in Public Schools," *Journal of Economic Literature*, Vol. 24, Issue 3 (Sept. 1986), pp. 1141-1177. See Attachment A [go to <http://www.caldercenter.org/about/HanushekPubs.cfm> and click on title of article to download].
- As recently as July 17, 2008, the *Christian Science Monitor* published an op ed piece by Walt Gardner titled, "Do better schools help the poor?" It cites a report released in June, 2008 by the Economic Policy Institute that demonstrates that schools are limited in what they can accomplish. According to the report, what is needed for students from disadvantaged backgrounds to succeed is investment in health care, parental support, and community involvement. See Attachment B [go to <http://www.csmonitor.com/2008/0717/p09s02-coop.html>].

The main point here is that repeated studies have failed to show a statistically significant correlation between various aspects of school programs and pupils' academic achievement. The comparison called for by Act 222 takes a step in the right direction by controlling for pupils' socioeconomic background. But even if the comparison of the academic achievement of pupils in virtual charter schools with pupils in other public schools were to show a statistically significant difference, there are far too many other factors which have not been controlled that could account for the difference. The lack of previous evidence of a correlation between various aspects of school programs and academic achievement supports the idea that factors outside the school program may well account for the difference.

Two possible factors are parental initiative and parental involvement. Studies have indicated that both have a positive effect on pupils' academic achievement. Parents who take the initiative to enroll their children in a virtual charter school rather than sending them to the local public school, can be assumed to be demonstrating a significant degree of parental initiative. And it goes without saying that families with children enrolled in a virtual charter school have a higher than average amount of parental involvement in their children's education. Therefore, if pupils' enrolled in virtual charter schools score higher than pupils in other public schools, credit cannot be given to the schools. In fact, a case can be made that credit should go to their parents, and that, given their parents unusually high degree of initiative and involvement in their children's education, these children would be likely to score well regardless of the school they attended.

One final note: In considering test scores as a measure of pupil achievement, it is important to focus on scores from state-mandated standardized tests. Virtual charter schools may report that their students score very well on daily or weekly tests administered by the school. However, computerized learning programs are set up to enable students to memorize facts

and score well on tests they take soon after. A more accurate assessment of academic achievement is what they remember several months or years after they have studied the material.

**Request:** Please consider including in the audit report and findings the idea that comparisons of academic achievement are not a reliable way of evaluating or assessing the strength or effectiveness of virtual charter schools.

5. *Determine the amount of pupil-teacher contact and one-on-one pupil-teacher interaction, categorized by grade level, occurring in virtual charter schools, as compared to other public schools.*

As mentioned in (1) (a) 1 above, under current statutes it is difficult to determine the amount of pupil-teacher contact and one-on-one pupil-teacher interaction. In addition, it is important not to count generic emails, telephone check-in calls, etc., as individual attention since many of these communications can be generated and delivered in the teacher's name but not be truly individual in nature or even written by the teacher.

Comparing contact in virtual charter schools with that in other public schools is also difficult. Studies have shown that there is little one-on-one contact between teachers and individual students in brick and mortar public schools. However, there are important benefits to both teacher and pupil from being in each other's presence, making eye contact, sharing non-verbal communication, etc. that obviously only occur in rare face-to-face meetings between virtual charter school students and teachers. This missing communication needs to at least be acknowledged even if it cannot be measured.

**Request:** Please consider noting in the audit findings that it is not possible to independently and objectively determine the amount of contact time or one-on-one interactions, especially in light of the elimination of the compulsory attendance requirement for these schools and the disincentive of reporting the failure of students to take direction or complete assignments.

6. *Determine the percentage of pupils attending virtual charter schools to which each of the following applied in the previous school year:*

- a. *The pupils did not attend school.*
- b. *The pupils attended a public school other than a virtual charter school.*
- c. *The pupils attended a private school.*
- d. *The pupils attended a home-based private educational program.*

These statistics could be misleading unless handled carefully. For a virtual charter school that has been operating for more than a year, any pupil who attended it during the previous school year would be listed as a public school attendee, giving the impression that few of the pupils had come to the school from private schools, including homeschools.

It would be more accurate to report where each pupil was the year before they enrolled in the virtual charter school. First, reporting only on the previous year does not show students' histories or trends in who is deciding to participate in virtual charter schools, including how many students are former homeschoolers. Second, statistics only from the previous year don't show how money has been spent in a pupil's district of residence. For example, it does not show that if a pupil has been in a virtual charter school for a given number of years, their district of residence has received money without providing services for them for all those years.

**Request:** Please consider including data showing where each pupil attended school the year before they enrolled in the virtual charter school.

7. *Determine the level of satisfaction that pupils attending virtual charter schools and their parents or guardians enjoy with their schools.*

Families who were only enrolled in virtual charter schools briefly should be included.

It would be very helpful to know to what extent satisfaction (or dissatisfaction) is related to factors directly related to virtual charter schools, such as use of computers and the Internet, curriculum provided, etc., and to what extent satisfaction (or dissatisfaction) is independent of the school. For example, how pleased are parents to be at home with their children? How relieved are they to no longer be confronting problems in their previous brick and mortar school, including bullying, difficult teachers or administrators, etc? How strongly are they influenced by the free curriculum, computer, Internet connection, and other things supplied by the school? To what extent are they relieved to be receiving services they had difficulty getting from the schools in their district of residence?

**Request:** Please consider including information on the complexity of the various sources of satisfaction.

8. *Determine the extent to which virtual charter schools have created innovative educational programs.*

Despite claims that virtual charter schools may make that their programs are innovative, it is important to keep in mind that the basics of the curriculums they offer are far from innovative. For example, the Appleton School District's Wisconsin Connections Academy built its program on a long-standing secular version of the religious curriculum that has been marketed by Calvert for many years to military families, children who have to travel with their parents, home-schoolers, etc. The Monroe School District essentially uses other institutions' curriculums and acts as a booking agent for parents and teens. The K12 Inc. program used by Northern Ozaukee School District's Wisconsin Virtual Academy (WIVA) was developed before WIVA was established and is based on rote, Pavlovian learning.

Ironically, parts of virtual charter schools that are innovative, such as the reliance on students' use of computerized programs for rote learning, raise serious concerns. Many studies point to harmful effects that extensive time on a computer can have on pupils, especially young children. Many thoughtful parents and educators question whether children should rely on such programs.

Among the concerns that have been raised are the following:

- Questions about the effects of computers on children's brain development, learning, and health are raised by books such as Jane Healy's *Failure to Connect: How Computers Affect Our Children's Minds-For Better and Worse*. Healy examines how computers used for education influence children's learning. She tells parents, "In the consumerized hi-tech world, your time and attention are still worth more to your child than any equipment, no matter how glitzy." For an interview with Healy, see Attachment C [go to: [www.wildduckreview.com/journal/Issue%2017-Education/Healy/Healy.pdf](http://www.wildduckreview.com/journal/Issue%2017-Education/Healy/Healy.pdf)].

- Other information comes from articles such as "Don't Talk to a Friend While Reading This; Multi-Tasking Adversely Affects the Brain's Learning Systems" by Stuart Wolpert. *UCLA Newsroom* 7/25/2006. <http://www.newsroom.ucla.edu/portal/ucla/Don-t-Talk-to-a-Friend-While-Reading-7212.aspx?RelNum=7212> See Attachment D.

- Research indicates that human brains function differently if they are viewing a virtual image of an object rather than an actual object. It is not yet clear how this might affect the developing brains of young children. See Attachment E. [*The Future of Creativity In our schools, our businesses, and our homes*. Published in *Utne Reader*, July-August 2008 by Jeannine Ouellette, from the *Rake*. Go to: <http://www.utne.com/2008-07-01/Politics/The-Future-of-Creativity.aspx>]

**Request:** Please consider including concerns about the effects of extensive use of computers, especially by young children.

9. *Determine the extent to which special education and related services are provided to children with disabilities who attend virtual charter schools.*

No comment.

10. *Determine the effect of the enrollment limit under section 118.40 (8) (h) of the statutes, as created by this act, on the ability of pupils to attend virtual charter schools.*

No comment.

### **Additional Concern: False Advertising**

See Attachments F and G for information about how some virtual charter schools are using false advertising presumably financed by tax dollars. (Go to <http://www.homeschooling-wpa.org/issues> and click on "Email Correspondence with Public School Charter School Superintendents.")

**Request:** Please consider making a finding of the amounts of money spent by each Wisconsin virtual charter school on search engine ads in which the key words include "homeschooling," "homeschool," and related terms. Make a finding as to whether such expenses are authorized under Wisconsin statutes and, if not, how these expenses should be redressed.