

Focus on Policy

Bringing Education Issues into Clear View

Virtual Schools in Texas: Good for Kids or Merely Good for Profit?



KEY POINTS

- Full-time online learning may have the potential to serve some students well, but there is little evidence that this potential has been realized.
- Studies of the academic success, cost effectiveness and transparency of virtual schools yield mixed results.
- If there is value in full-time online learning, it must be demonstrated with quality accountability measures and successful student outcomes.
- Policymakers should move forward very cautiously.
- Specific legislative measures must be maintained or enacted if Texas is to operate a sound, effective and efficient virtual schools program.
- **SEE PAGE 7 FOR RYHT POLICY RECOMMENDATIONS.**

The Underground School System

Few Texans are aware that their tax dollars go to fund an online learning universe, one that offers classes to third graders, high school seniors and even students who never attend a brick-and-mortar school. This ever-growing part of our public education system, referred to as virtual education, functions in large part below the radar, with little known about its operations and outcomes. But for many students, it's a way to earn credits toward a high school diploma, or perhaps fill in the gaps at a traditional school that does not offer certain courses. For others, it is the sole provider of their public school education, as they are full-time virtual education students.

Regardless of what shape it takes, virtual education in Texas has evolved and expanded into a complex system of courses and programs that serves thousands of students across the state. Objective information and data to understand how – and how well – this form of instructional delivery works for Texas public school students has not been reliably collected or publicized up to this point.

Despite the lack of information on virtual schools, there is interest in expanding them in Texas, as evidenced by this 2012 interim charge to the Senate Education Committee of the Texas Legislature:

Study the growing demand for virtual schools in Texas. Review the benefits of virtual schools, related successes in other states, and needed changes to remove barriers to virtual schools.

Implicit in this charge are the assumptions that virtual schools are beneficial, barriers to accessing them exist and those barriers should be removed.

Indeed, some in the education arena claim that

virtual schools represent the future of education and will be a cure-all for the state's budget woes. Others, however, describe this new way of delivering education as nothing more than a black hole of profit-driven programs that do not deliver.

The truth seems to lie somewhere in between. While virtual education has its benefits, it has not been validated as a reliable and effective way to educate students on a full-time, widespread basis. To properly address and improve this system, we must understand the history, evolution, challenges and data surrounding the virtual education world.

The Basics

Virtual education is the delivery of instruction over an electronic network. The virtual education programs under the Texas Virtual School Network (TxVSN) are administered by the Texas Education Agency (TEA)⁽¹⁾. TEA approves electronic courses and professional development for online teachers, has fiscal responsibility for the network, and evaluates full-time online schools under the statewide accountability system⁽²⁾. Day-to-day operation of the TxVSN is contracted to Education Service Center Region 10, in collaboration with the Harris County Department of Education. To enroll in one of these programs, students must have been enrolled in the prior school year in a public school in Texas.

The two TxVSN programs are:

1. **Blended or supplemental courses, taken by students who are otherwise attending a traditional brick-and-mortar public school.**

Students opt for blended courses to create flexibility in their schedules, gain access to courses not otherwise offered in their district or for credit recovery. Districts and charter schools must adopt policies providing students with the opportunity to enroll in electronic courses provided through the TxVSN. There were over

17,000 enrollments in electronic courses by Texas public school students in 2010-11⁽²⁾.

2. Full-time Virtual Schools (TxVSN Online Schools), which provide all of a student’s instruction in an online environment.

Since 2006-07, the Texas public school system has operated full-time online schools out of school districts or open-enrollment charters⁽³⁾. Host districts/charters have included Houston ISD, Responsive Education Solutions Charter, Southwest Charter and Texarkana ISD.

Course content is provided under the terms of a contract between the school district/charter and a for-profit or non-profit private provider. For-profit private providers have included Connections Academy, KC Distance Learning, and K-12 Inc. Calvert School is a non-profit private provider.

Virtual schools operated by school districts may enroll students from across the state. Virtual schools run by open-enrollment charter schools may enroll students from counties in Texas covered by their charter, subject to their enrollment cap. In the fall of the 2011-12 school year, more than 6,000 students were enrolled in three full-time virtual schools in Texas⁽⁴⁾.

Cost Effectiveness

The current statutory funding structure requires that districts be paid their average daily attendance (ADA) rate based on students’ successful completion of their virtual courses⁽⁷⁾. When applicable to the grade or course, students are required to take and pass the appropriate state assessments for successful completion.

It is difficult to determine whether virtual schools have been cost-effective overall. The current funding structure is such that the costs to the state are the same as for students enrolled in traditional classrooms. The costs to the districts operating virtual schools are undetermined at this point due to the fact they are not publicly disclosed in an accessible way. Districts/charters operating full-time online schools employ principals and teachers and must arrange for secure sites and trained test administrators in order for their students – who live across the geographical expanse of the state – to take state assessments. Contract costs between the host district/charter and private providers are unknown at this time. The general costs for operating these schools, and more specifically, the cost per student, cannot be determined from public records.

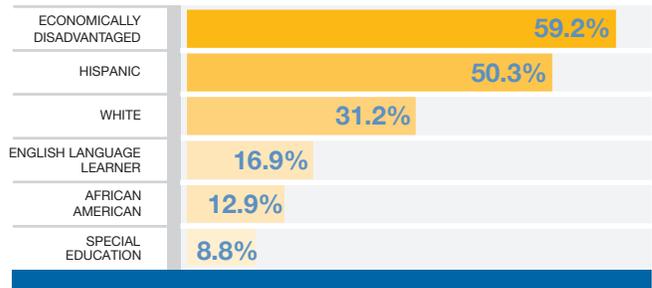
In summary, virtual schools to this point have not provided a cost savings to the state, but have not necessarily been more costly than traditional schools. If virtual schools are to be touted as a way to help cut public education

costs in the future, it is still unknown how this would be accomplished.

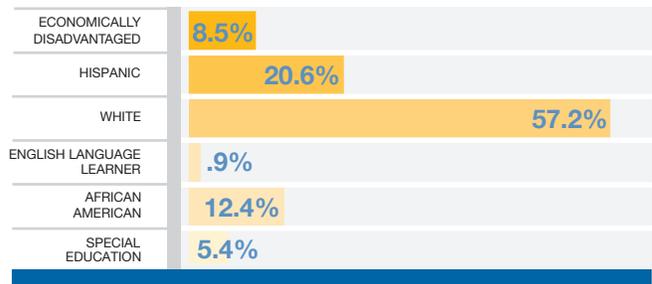
Demographics

For the 2010-11 school year, compared to state averages, virtual schools enrolled a higher percentage of White students and about the same percentage of African American students. Lower percentages of Hispanic, economically disadvantaged, English Language learner and students with disabilities were enrolled in virtual schools⁽⁶⁾. Student mobility, defined as students who move to a different school between fall and spring semesters, was substantially higher in virtual schools than for students statewide.

TEXAS PUBLIC SCHOOL ENROLLMENT



VIRTUAL SCHOOL ENROLLMENT



Source 2011 AEIS reports

The History of VIRTUAL EDUCATION

2001

The 77th Legislature passes SB 975, which allows a school district to offer supplemental electronic courses to students enrolled in that district or another district.

2003

The 78th Legislature passes SB 1108, authorizing a full-time electronic course program to be created.

2005

The Electronic Course Pilot Program (eCP) (full-time virtual schools) is created and funded by legislation.

2006

Two eCPs begin operation:

- 1 *Texas Connections Academy*, a partnership with Houston ISD and the for-profit private provider, *Connections Academy*.
- 2 *Texas Virtual Academy*, a partnership with Southwest Charter and the for-profit private provider, *K-12 Inc.*
- 3 A third eCP, planned as a collaboration among Colman ISD, Fort Davis ISD, and Iraan-Sheffield ISD, does not materialize.

2007

The Texas Virtual School Network (TxVSN) is created by the Texas Legislature in Chapter 30A of the Texas Education Code as the umbrella program to oversee education to public school students through electronic courses.

2008

The *TxVSN* supplemental online course program begins development of a course catalog.

2009

The *TxVSN* begins offering courses through its statewide course catalog. *The Electronic Course Pilot* changes to the *Electronic Course Program* and is incorporated into TEC Chapter 30A.

2010

A third eCP, *iQ Academy*, is created at Responsive Education Solutions Charter, partnering with for-profit private provider *KC Distance Learning*.

K-12 Inc. acquires *KC Distance Learning* in July and becomes the for-profit private provider at Responsive Education Solutions.

Southwest Charter ends its contract with *K-12 Inc.* and closes *Texas Virtual Academy* at the end of the 2010-11 school year.

2011

TEA renames eCP to *TxVSN Online Schools*, so both supplemental and full-time virtual schools are all officially operating under the *TxVSN* umbrella.

Pearson acquires *Connections Academy* in September.

An additional virtual school, *Texarkana ISD Virtual Academy* is authorized at Texarkana ISD, partnering with non-profit private provider Calvert School.

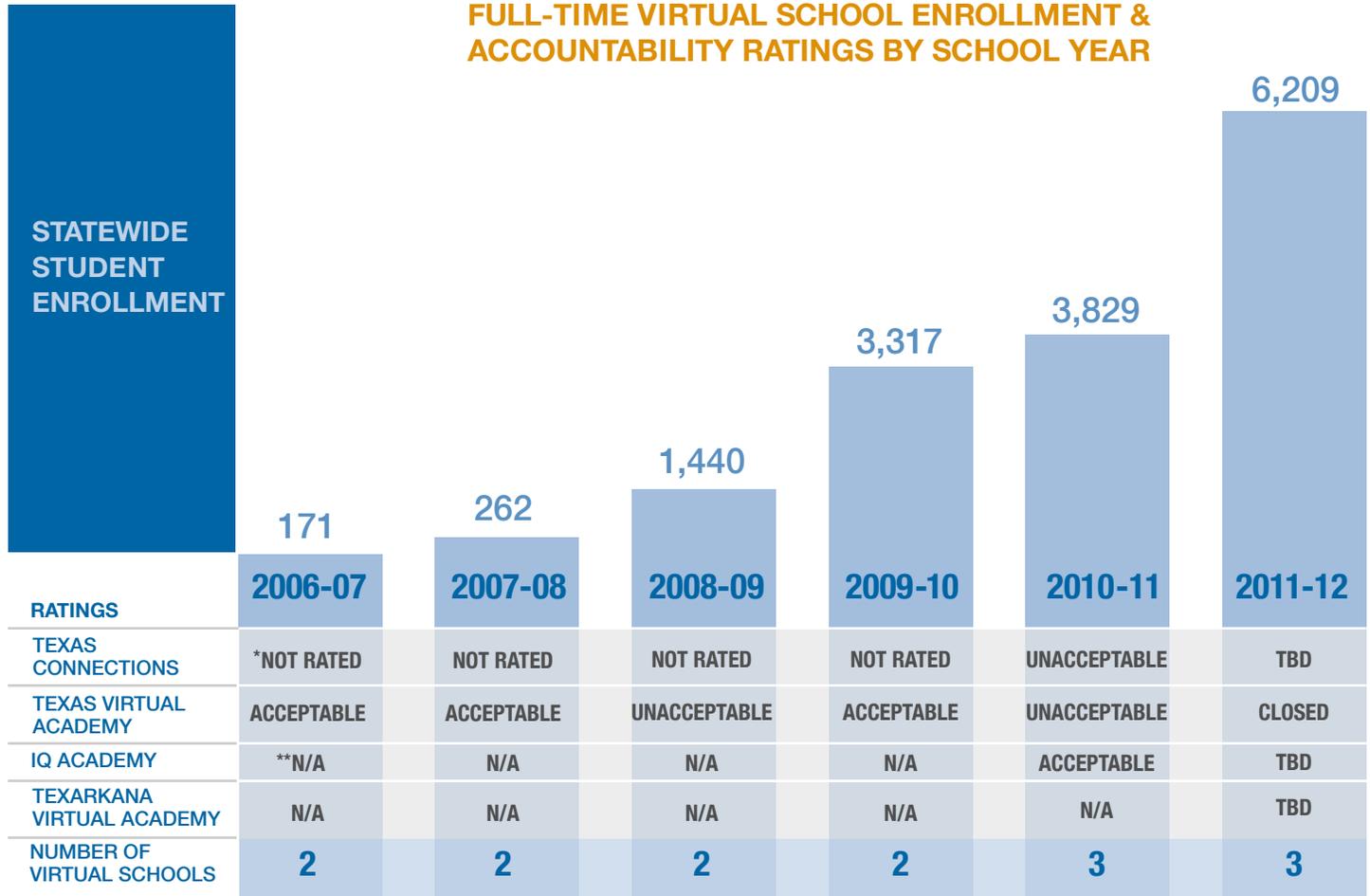
iQ Academy at Responsive Education Solutions Charter, changes its name to *Texas Virtual Academy*.

2012

Because of the transition to new statewide assessment and accountability systems, no 2012 state accountability ratings are assigned. Performance standards for the *STAAR* assessments for grades 3-8 will be set in January 2013.

In Fall 2012, *Texas Virtual Academy* (Responsive Education Solutions Charter) begins serving students through grade 12.

FULL-TIME VIRTUAL SCHOOL ENROLLMENT & ACCOUNTABILITY RATINGS BY SCHOOL YEAR



**Not Rated” indicates that the school was in existence at this time, but was not rated by the Texas Accountability System (reason unknown).
 ***N/A” indicates the school was not in existence at this time.

Performance Outcomes

Research supports that supplemental, or blended coursework produces test scores comparable to those from conventional, face-to-face courses⁽⁵⁾.

There exists to date no evidence from research that full-time virtual schooling at K through 12 grade levels is an adequate replacement for traditional face-to-face teaching and learning⁽⁵⁾. Performance results for Texas virtual schools operated by for-profit private providers have been sparse and unimpressive⁽⁶⁾. Test results for the three most established virtual schools showed lower performance than students statewide across all five TAKS subjects in 2010-11.

In spite of this poor record of achievement, during the first six years of operation in Texas, virtual school enrollment grew from 171 to 6,209 public school students, and the grades served expanded from 3-6 to grades 3-11. In fall 2012, Texas Virtual Academy began enrolling students in grades 3 through 12.

There exists to date no evidence from research that full-time virtual schooling at K through 12 grade levels is an adequate replacement for traditional face-to-face teaching and learning⁽⁵⁾.

Performance outcomes and the operating history of full-time virtual schools in Texas reveal a marked lack of consistency.

- Texas Connections Academy, Houston ISD, has been in operation since 2007⁽³⁾. It appears to have originally operated as a “program” and not a school, as it was not registered as a campus with TEA until 2010. Enrollment has risen from 18 to 2,463 students, and its one rating thus far is *Academically Unacceptable*. It’s for-profit provider is Connections Academy, a

company acquired by Pearson in September 2011.

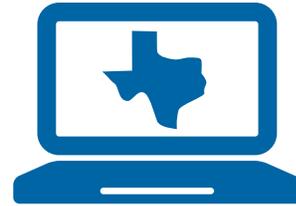
- Texas Virtual Academy, Southwest Charter, was rated *Academically Unacceptable* in two of its five years of operation. Enrollment rose from 171 to 2,407 students before it closed in 2011. Their for-profit private provider was K-12 Inc.
 - Southwest Charter ended its contract with K-12 Inc. due to poor student performance and concerns over test administration procedures and data quality. Because of the high numbers of students enrolled at Texas Virtual Academy in 2010-11, the performance deficits for the virtual school caused the rating for the charter as a whole to be *Academically Unacceptable*.
 - By the time the contract was terminated and the low-performing virtual school closed, K-12 Inc. was operating at Responsive Education Solutions Charter. It is unknown how many students from Southwest were transferred to Responsive Education Solutions, with no attendant consequences to K-12 Inc. No one was required to provide remediation for the students who failed assessments in the prior year, nor was it likely the online materials changed in response to the low performance.

Concerns

There are a number of issues that must be addressed before any further expansion of virtual schools in Texas is considered. These include:

- Performance results for these schools are thus far unsatisfactory.
- For-profit providers are serving the vast majority of students enrolled in Texas online schools. Thus, public dollars are flowing through the host district or charter to corporations that are ultimately accountable to their stockholders, not to Texas taxpayers.

- There is a lack of quality accountability measures in place to keep the for-profit private providers engaged in successful student outcomes.
- There is no solid research to date indicating Texas virtual schools are cost-effective.
- Despite the lack of compelling evidence that virtual schools are serving Texans well, enrollment in virtual schools has risen dramatically, more than quadrupling over the past four years.



Conclusion

Full-time online learning may have the potential to serve some students well. However, there is little evidence that this potential has been realized. Results from Texas and the nation on the performance and cost-effectiveness of virtual schools indicate that policymakers should move forward very cautiously, if at all. Especially in this period of severe budget constraints on public school funding and the transition to new accountability and assessment systems in Texas, there is little empirical evidence to justify or support expansion of this school model at this time.

Regardless of how expansion of virtual education is addressed, specific legislative measures must be maintained and enacted to ensure operation of a sound, effective and efficient virtual schools program (**FOR A COMPLETE LIST OF RYHT POLICY RECOMMENDATIONS, SEE PAGE 7**). If there is virtue in full-time online learning, it must be demonstrated with quality measures of accountability and solid successful outcomes for all students.★

Sources:

- (1) Texas Education Code, Chapter 30A, State Virtual School Network
- (2) *Keeping Pace with K-12 Online Learning*. Evergreen Education Group, 2004 through 2011
- (3) Texas Education Agency, Progress Report on the Long-Range Plan for Technology, 2006-2020, December 2008 and December 2010
- (4) Texas Education Agency, Public Education Information Management System, 2011-12 Student Enrollment
- (5) Glass, Gene V. and Welner, Kevin G. *Online K-12 Schooling in the U. S.: Uncertain private ventures in need of public regulation*. National Education Policy Center, School of Education, University of Colorado Boulder, October 2011. Retrieved November 18, 2011, <http://nepc.colorado.edu/publication/online-k-12-schooling>

Other Sources:

Interviews with representatives from: Houston ISD; Responsive Education Charter; Southwest Charter; Texarkana ISD; Texas Education Agency

(6) Texas Education Agency, State Accountability Ratings and Academic Excellence Indicator System Reports

(7) Texas Education Agency, 2011-12 Student Attendance Accounting Handbook V2 Section 11.9.2. October 24, 2011

(8) Miron, Gary and Urschel, Jessica. L. *Understanding and Improving Full-Time Virtual Schools: A study of student characteristics, school finance, and school performance in schools operated by K12 Inc.* National Education Policy Center, School of Education, University of Colorado Boulder, July 2012. Retrieved July 19, 2012. <http://nepc.colorado.edu/publication/understanding-improving-virtual>

Web Resources:

The TxVSN Course Catalog is available at: <http://www.txvsn.org/portal/Home.aspx>

A clearinghouse of recent publications on virtual education:

<http://www.raiseyourhandtexas.org/images/clearinghouse-virtual-ed.pdf>

An electronic version of this report:

<http://www.raiseyourhandtexas.org/images/virtual-schools.pdf>

How to reference this paper: Raise Your Hand Texas. *Virtual Schools in Texas: Good for Kids or Merely Good for Profit?* Austin, Texas: 2012.



Results from Across the Country

What do results from other states show?

A study by the National Education Policy Center (NEPC) of 48 virtual schools operated by K-12 Inc. found low performance and a muddy picture on costs⁽⁶⁾. K-12 Inc. was the focus of the study because it enrolls more public school students than any other private education management organization in the nation. The study included the two virtual schools in Texas operated by K-12 Inc.

Demographics

- Relative to public schools in states where they operate, K-12 Inc. virtual schools enroll approximately the same percentages of African American students, substantially more White students, and fewer students classified as Hispanic, economically disadvantaged, English Language learners and students with disabilities.

Performance

- Only 27.7% of K-12 Inc. schools met federal standards (AYP) in 2010-11, compared to 52% of public schools nationwide. Although AYP is a relatively gross measure, extremely large differences such as this 25-percentage point gap are telling and were constant over two years. The majority of K-12 Inc. schools did not meet AYP because students did not meet state targets on either math or reading tests (or both), but in some cases, they did not meet the participation requirement of at least 95% of students tested.
- State results were similar, with 36 schools assigned state ratings and just seven (19.4%) receiving a satisfactory status. Performance on state math and reading tests at K-12 Inc. schools was lower than the overall performance of their states as a whole.
- The on-time graduation rate for the virtual schools was 49.1%, compared with the traditional schools' rate of 79.4% for the states in which K-12 Inc. operates.

Costs

- Schools run by K-12 Inc. received less public revenue relative to charter and district schools; spent more on overall instructional costs, but less on teacher salaries and benefits. They spent more on administration, but less on administrator salaries and benefits; and spent little or nothing on student support services, facilities and maintenance, transportation, and food services.
- Estimates of cost advantages and disadvantages show that K-12 Inc. schools have a cost advantage of over \$4,000 per pupil, an amount in line with the revenue difference.
- The authors of this study state that their estimates underscore the difficulty of comparing two very different school models using data based on practices from only one of these models.

NEPC Study Recommendations Include:

1. Slow or put a moratorium on the growth of full-time virtual schools until more is understood regarding why their performance falls so far below traditional schools.
2. Revise accountability measures for virtual schools and consider incorporating student mobility as a supplemental measure of performance related to market accountability.
3. Revise funding formulas and financial oversight to reflect the actual costs of educating students in online schools, rather than the typical costs for educating students in traditional public schools; allocate funding for students based on the number who satisfactorily complete courses, not on enrollment; and create more transparency to understand how virtual schools spend public funds.

Raise Your Hand Texas Policy Recommendations

The following must be taken into consideration if Texas is to operate a sound, effective and efficient virtual schools program.



MAINTAIN:

- ✓ Administration and operation of virtual schools under the auspices of the Texas Virtual School Network, operated by the Texas Education Agency.
- ✓ Current reporting and accountability requirements for virtual schools under state statute as required for all other public schools in Texas. Do not allow evaluation of virtual schools under lower standards (such as alternative education accountability).
- ✓ Existing requirements for successful completion of online courses in order to award full funding for virtual education.
- ✓ Current student enrollment eligibility requirements. Do not divert public funds to virtual education for access by private and home-schooled students.
- ✓ Existing policy that disallows virtual schools from serving students below grade three, where state assessments are not administered.
- ✓ Current practice where private virtual providers are not authorized to issue a high school diploma. At virtual schools with students enrolled through grade 12, the host district/charter should issue a high school diploma to their students who have met all state requirements for graduation.
- ✓ Established funding structure, where all funds flow through the school district. Do not permit public funds to be paid directly to private providers.



ENACT:

- ✚ Authorization of a trusted organization to administer state assessments to students enrolled in virtual schools.
- ✚ Policy to close the loophole that allows for-profit providers to avoid consequences for low-performance. Require the TEA to publish a list of approved providers for virtual schools and to drop providers from the approved list if performance standards are not met.
- ✚ A requirement that the contracts between private providers and host districts or charters be public information and posted online.
- ✚ A limit on the expansion of virtual schools pending an extensive and objective evaluation of academic performance and cost-effectiveness that includes a comparison of results for virtual schools to statewide results and to schools with similar demographics. Limit expansion of grades served and students enrolled to only the virtual schools where academic and financial accountability standards are consistently met.
- ✚ Policy to require TEA to provide timely information on TxVSN Online Schools, including locations, providers, enrollment area and numbers, grades served, costs and performance outcomes.
- ✚ Requirements for financial audits to determine actual costs and whether per-pupil payments are reasonable.



Raise Your Hand Texas Advisory Board

Mr. Jim Adams

San Antonio, Former Chairman,
Texas Instruments

Mr. Peter Beck

Dallas, Managing Director,
The Beck Group

Mr. Albert C. Black, Jr.

Dallas, President & CEO,
On-Target Supplies & Logistics

Mr. Jack Blanton

Houston, Former President,
Eddy Refining Company

Mr. Guy Bodine, III

San Antonio, Chairman & CEO,
San Antonio National Bank

Mr. Michael Boone

Dallas, Co-Founder & Name Partner,
Haynes & Boone

Mr. Charles Butt

San Antonio, Chairman & CEO,
H-E-B

Mr. Alan Crain

Houston, Senior Vice President and
General Counsel, Bake Hughes, Inc.

Mr. Charles Duncan Jr.

Houston, Chairman,
Duncan Interests

Mr. Tom Dunning

Dallas, Chairman Emeritus,
Lockton Dunning Benefits

Mr. Richard W. Evans, Jr.

San Antonio, Chairman & CEO,
Front National Bank

Mrs. Alice Carrington Foults

San Antonio, Founding Member,
Youth Empowerment Support

Mr. T.C. Frost

San Antonio, Senior Chairman,
Frost National Bank

Dr. Juliet V. Garcia

Brownsville, President,
University of Texas at Brownsville

Mr. Pete Geren

Fort Worth, President,
Sid W. Richardson Foundation

Mr. Kenny Jastrow

Austin, Former Chairman & CEO,
Temple-Inland

Dr. Ray Keck

Laredo, President,
Texas A&M International University

Mr. Gary Keep

Dallas, CEO,
SHW Group LLP

Mrs. Mollie Lasater

Fort Worth, Former Board Member,
Fort Worth ISD

Mr. Jack Lowe, Jr.

Dallas, Board Chair,
TDIndustries

Mr. Jim Nelson

San Diego, CA, Executive Director,
AVID Center

Mr. John L. Nau, III

Houston, President & CEO,
Silver Eagle Distributors, L.P.

The Honorable Lyndon Olson

Waco, Former U.S. Ambassador
to Sweden

Ms. Beth Plummer

San Antonio, Board Member,
North East ISD

The Honorable Bill Ratliff

Mt. Pleasant, Former Lieutenant
Governor

Mr. Harry Reasoner

Houston, Partner,
Vinson & Elkins

Mr. Phil Ritter

Dallas, Executive Vice President
of Governmental and Stakeholder
Affairs, DFW International Airport

Mr. Marcos Ronquillo

Dallas, Managing Shareholder,
Goodwin Ronquillo PC

Mr. Al Silva

San Antonio, COO,
Labatt Foods

Mrs. Josephine Smith

Houston, Houston Regional Board,
Teach for America

Mr. Ron Steinhart

Dallas, Former Chairman & CEO,
Bank One, National Banking Group

Mr. Bob Sulentic

Dallas, Group President,
CB Richard Ellis

Mr. Bobby Tudor

Houston, CEO,
Tudor, Pickering, Holt & Co.

Mrs. Phoebe Tudor

Houston, Community Leader

Mr. Edward Whitacre, Jr.

San Antonio, Chairman & CEO,
General Motors, Chairman Emeritus,
AT&T, Inc.

Mr. John G. Wilkerson

Lubbock, Chairman of Board,
Wilkerson Properties, Inc.

Mr. Todd Williams

Dallas, Retired Partner, Goldman
Sachs and Co.
Executive Director, Commit!



raiseyourhand
TEXAS

www.RaiseYourHandTexas.org

Raise Your Hand Texas is a non-profit, non-partisan grassroots advocacy organization made up of community and business leaders, educators and taxpayers from around the state. Our mission is to advocate for students as we strive to improve Texas public schools by investing in educational leaders and engaging the public to influence policy that strengthens our schools and the economy of our state.