

**Public Hearing on Virtual Schools Before the
Education Reform Committee of the Wisconsin Assembly
Monday, May 20, 2002, 10 AM**

**Testimony Presented by Larry Kaseman,
Executive Director of the Wisconsin Parents Association**

Good morning. Thank you for holding this hearing on such an important topic.

I am Larry Kaseman, Executive Director of the Wisconsin Parents Association, a state-wide organization of over 1,400 member families founded in 1984, that works to protect the rights of parents and families in education, primarily homeschooling. However, I do not purport to speak for all WPA members and certainly not for all homeschoolers in Wisconsin.

You have just heard from strong proponents of two state-wide virtual charter schools, people who stand to gain money and prestige from such schools if their programs are funded. I am here to present information I have uncovered through four months of research. I began my investigation because I knew students in virtual charter schools would be called "homeschoolers" by many people for the obvious reason that their schooling is done in their homes. I was concerned about the impact that the regulations placed on these public school students would have on all the homeschoolers in Wisconsin. However, I have discovered that virtual charter schools would seriously impact many more people than homeschoolers. Therefore, I speak today primarily as a concerned citizen and a taxpayer.

A number of questions need to be asked and answered concerning these two state-wide virtual charter schools as a way of determining what action the Legislature should now take.

But first, to ensure a common understanding of terms being used today, please refer to Attachment A of my testimony. As you can see, virtual charter schools were developed by combining the idea of distance learning with the concept of charter schools. Local virtual charter schools are confined to one school district. You will be hearing from representatives of such schools when I finish. State-wide virtual charter schools, such as those proposed by Sylvan Ventures in Appleton and K12 Inc. in Lake Mills, are using Wisconsin's open enrollment law to recruit and enroll students from throughout the state. It is only these two **state-wide** virtual charter schools that I am addressing today.

Are state-wide virtual charter schools consistent with the intent of Wisconsin's charter school and open enrollment laws on which they are based?

No. In fact, the two state-wide virtual charter schools are taking unfair advantage of loopholes in these laws that were passed before state-wide virtual charter schools had been proposed.

Charter schools are intended to promote local control and innovation in education. To this end, Wisconsin's charter school law allows local school districts to grant charters. Unfortunately, school boards in Appleton and Lake Mills granted charters for state-wide virtual charter schools in an amazingly short time based on woefully inadequate proposals and budgets. See Attachment B. It is quite unlikely that the Wisconsin Legislature intended that decisions that will have such a major impact on the whole state be made by local school boards on such short notice.

Clearly, the process by which state-wide virtual charter schools receive their charters needs to be revised. Other states require more extensive review of applications for charter schools, sometimes including oversight by the state department of education. Under these circumstances, applications from Sylvan Ventures for charter schools very similar the one in Appleton have been rejected twice in Minnesota and in Massachusetts, North Carolina, and Denver, Colorado. In fact, Appleton was the first and as far as I know the only chartering organization to grant a charter to a school associated with Sylvan Ventures.

In addition, Wisconsin's charter school law was intended to promote innovative approaches to education as a way of solving problems. Although these two virtual charter schools claim to be innovative and cutting edge, in reality they are not. Public schools have been experimenting with distance learning for years. Parents who want to have their children try virtual schooling can purchase a K12 Inc. curriculum or another online program and use it in their homes. In addition, the curriculum for each of these schools is advertised as being "traditional." In short, the only thing that is unique about these virtual charter schools is that taxpayers would be forced to pay for them.

Like the charter school law, the open enrollment law was also passed before state-wide virtual charter schools were proposed. This law was intended to allow individual students to attend public schools outside their district of residence provided the receiving district had room for them and the students provided their own transportation. It was not intended to provide a basis for establishing state-wide virtual charter schools. It provides no way to hold such schools accountable. In fact, there is strong incentive in the opposite direction, namely, to go after students in other districts and take the money and run. This is precisely what will happen if the two state-wide virtual charter schools are funded.

Given the advent of state-wide virtual charter schools, the Wisconsin Legislature needs to address the problems they raise, not stand idly by while corporations from outside Wisconsin take unfair advantage of laws that were not intended to cover virtual charter schools and drain tax dollars from Wisconsin. This hearing represents a much needed step in that direction.

What would virtual charter schools run by Sylvan Ventures in Appleton and K12 Inc. in Lake Mills cost Wisconsin taxpayers over the next five years?

These two schools alone would cost \$50 million, based on \$9,000 per student per year from state aids and local property taxes and the projected 20% growth rate per year.

Fifty million dollars is a lot of money, especially in light of the current budget deficit. In addition, virtual charter schools are hoping to draw much of their enrollment from private school students, including homeschoolers. (For example, of the 550 students who filed open enrollment forms so that they might have a chance to decide whether to enroll in K12 Inc., fewer than 50 were currently enrolled in public schools.) Because taxpayers do not pay for the education of private school students, much of the required \$50 million is unbudgeted and will have to come from increased taxes or cuts in other programs.

Who would benefit from this expenditure of \$50 million?

Promoters of virtual charter schools claim that the cost of educating a virtual charter school student is much lower than the cost of educating a student in a conventional public school. (See Attachment C.) Since the \$5,000 a virtual charter school would receive each year for each student is much greater than the costs involved, what would happen to the rest of the money? Much of it would go to corporations providing items such as curriculums, computers, computer services, and/or teachers, especially since their high-powered legal staffs and experience would enable them to outmaneuver local school districts in negotiations over profit-sharing. Therefore, a way of accounting for tax dollars is needed. Otherwise, corporations will make large profits at the expense of taxpayers and school districts.

Based on current evidence, what is the likelihood that virtual charter schools will prove to be an effective way to educate public school students?

Current evidence predicts a bleak future indeed for state-wide virtual charter schools. Consider the following, all of which are documented by sources cited in Attachment D.

- In Ohio, a major audit identified numerous administrative and financial problems with virtual charter schools. Also, a lawsuit challenging the constitutionality of virtual charter schools has been brought by the teachers union, other school employees unions, the Ohio Association of PTAs, the League of Women Voters, and the Buckeye Association of School Administrators.
- In Pennsylvania, more than 200 of the 501 school districts are refusing to pay the district that granted the charter for the largest virtual school with 2,700 students.
- A recent legislative audit of bricks and mortar charter schools in Ohio revealed that the only measure in which these charter schools performed better than conventional public schools was attendance.
- Private corporations that are trying to run conventional public schools (not charter or virtual charter schools) are running into difficulty. For example, recent reports indicate Edison Schools Inc., which is trying to manage public schools, is facing serious financial difficulties. Its stock has fallen 85 percent since January.
- Online universities are having difficulty generating and maintaining enrollment and staying solvent, according to a recent article in the *New York Times*. This raises questions about both the viability of educating students via computers and the Internet and the ease with which students can be convinced to enroll in such programs.

In the face of such evidence, it seems irresponsible to spend \$50 million of Wisconsin tax money on state-wide virtual charter schools, especially when current law does not provide for financial accountability.

What kind of a track record do Sylvan Ventures and K12 Inc. have in dealing with public school officials and potential students? Are they worthy of the public trust and public funds?

Marketers for both Sylvan Ventures and K12 Inc. have changed their responses to questions depending on their audience. Thus they have provided misleading information. For example, when addressing public school officials, they have stressed the extent to which they would use computers to hold students and parents accountable but they have told parents that their programs offer great flexibility. K12 Inc. has assured parents that teachers and administrators would visit their homes only if invited, but it has told public school administrators and school boards that if a problem arose, they would make unannounced home visits. Such emphasis on market strategy over communication of accurate information makes these corporations poor candidates for working with school officials and others who are responsible to the public trust.

In addition, K12 Inc. is funded in part by \$10 million from Michael Milken, who achieved notoriety through his dealings in junk bonds and his status as a convicted felon. The involvement of people with such history does not inspire confidence in K12 Inc.

For more information and examples, see Attachment E.

What can be done at this point to prevent state-wide virtual charter schools from causing serious problems and generating lawsuits in Wisconsin?

We face a situation in which Wisconsin does not yet have in place a reasonable system for granting charters to state-wide charter schools and holding them financially accountable. Two out-of-state corporations are misusing loopholes in current Wisconsin laws that were passed before state-wide virtual charter schools were proposed. Therefore, it is clear that we need a moratorium on state-wide virtual charter schools. If enrollment in virtual charter schools is restricted to students who are residents of the district granting the charter, local virtual charter schools will be able to continue operation while the more problematic state-wide ones are halted.

An alternative proposal would allow the Sylvan Ventures and K12 Inc. state-wide virtual charter schools to proceed as pilot projects but declare a two year moratorium on the formation of any other virtual charter schools. Such a limited moratorium is NOT a good idea. It would commit Wisconsin to spending \$50 million over five years on pilot programs that clearly face serious problems. A limited moratorium would also give Sylvan Ventures and K12 Inc. an enormous advantage by preventing any competing virtual charter schools from starting for at least two years.

It has been argued that Sylvan Ventures and K12 Inc. need to be allowed to proceed with their state-wide virtual charter schools because Appleton and Lake Mills have made a commitment to families that applied to these schools through open enrollment. However, both the Appleton and Lake Mills school districts should have made enrollment in the virtual charter schools contingent on the schools receiving funding from the state, and it is my understanding that they did so. Therefore, if the state declares a moratorium on state-wide virtual charter schools and thus refuses to fund these schools, Appleton and Lake Mills can explain to their applicants that they did not receive state funding so the schools will not be operating.

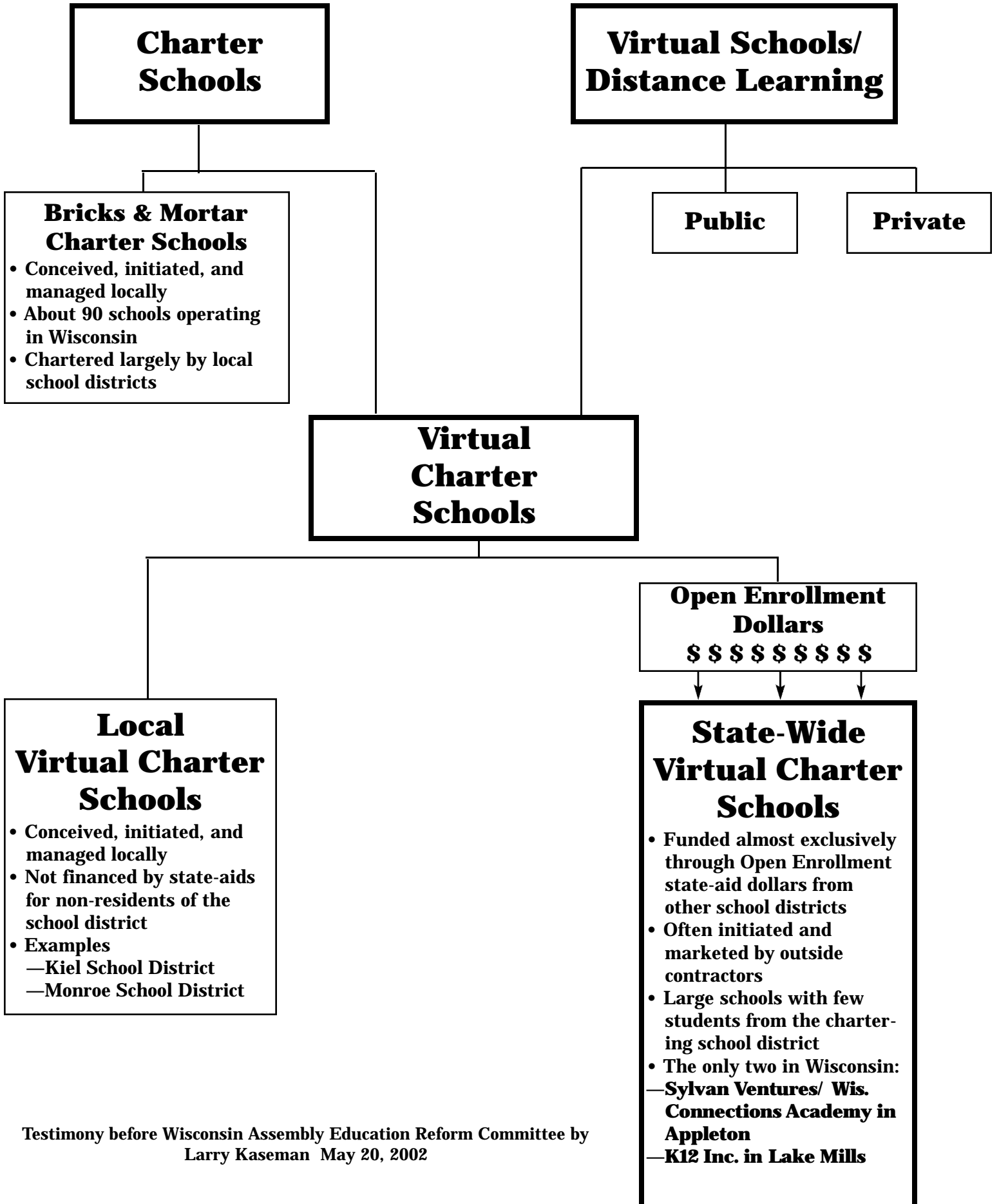
Keep in mind that it is better to disappoint 800 students than to have to force Wisconsin taxpayers to pay \$50 million for programs that have highly questionable legal standing under Wisconsin's open enrollment statute and are inconsistent with the charter school statute's emphasis on innovation and local control.

In conclusion, I urge that the Wisconsin Legislature declare a moratorium on all state-wide virtual charter schools, continue to study this complex issue, and devise a reasonable way to handle it.

Thank you. I would be happy to answer questions.

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Dates on Which Appleton and Lake Mills School Districts Received Proposals and Granted Charters

Appleton

March 11, 2002: Written proposal presented by Sylvan Ventures to the Appleton School Board's Committee on Programs and Services. Although the proposal was for a 5-year contract that was projected to be over \$20 million, there was no line item or year-by-year budget.

March 15, 2002: Two of the three members of the Appleton School Board's Committee on Programs and Services met, allowed only 20 minutes of testimony by the public, and voted after less than two hours of testimony and discussion to recommend that the full board charter the school.

March 25, 2002: Appleton School Board voted to grant the charter without amendment. There was still no year-by-year or line item budget that could be used to hold the chartered virtual school accountable.

Lake Mills

March 27, 2002: Lake Mills School District did not have a written proposal or a budget for the K12 Inc. virtual charter school that they would release to the public; it is not clear whether they had a proposal or budget at all. Despite this fact, the five-member school board voted to inform people who had applied through open enrollment for permission to attend the district in the fall of 2002 that they could attend the Wisconsin Virtual Academy pending final approval of its charter.

April 8, 2002: Lake Mills School Board voted to grant a charter to the K12 Inc. virtual charter school. It is not clear when the board received a copy of the proposal or the budget for this state-wide virtual charter school with a projected 5-year budget of well over \$20 million.

Costs and Profits of Virtual Charter Schools

Estimated Costs:	per student
Curriculum	\$500*
Computer, modem, and software (\$1,000/3 years)	\$333
Internet service provider (\$25 X 12 months)	\$300
Teacher (50 to 1 student/teacher ratio), includes training, etc.	\$1,000
Administrative, rent, misc.	\$250
Total	\$2,383

Profit based on payment of \$5,000 of tax dollars per student is \$2,617 or 54 percent

Profit based on payment of \$9,000 of tax dollars per student is \$6,617 or 74 percent

* Also, most curriculum can be used for more than one year. K12 Inc.'s price of \$895 includes not only profit but money for marketing which must be considerable in light of the marketing K12 Inc. has done in Wisconsin alone.

Notes:

- Virtual charter schools do not have to pay many of the costs associated with conventional public schools, such as building construction and maintenance, transportation, lunches, support for athletic teams, etc.
- Under Wisconsin's current open enrollment law, a state-wide virtual charter school will receive \$5,000 for each student. The difference between the costs listed above and this sum will be profit, most of it going to the sponsoring out-of-state corporation, which has already made a profit on the sale of curriculum, sale or lease of computers, etc.
- The balance of the \$9,000 in tax dollars that is spent on each public school student in Wisconsin will go to the school district of residence of the enrolled students, even though these districts will not provide services to the students. This is another aspect of current law that the Legislature should look into.

Evidence to support the above figures:

- According to a January 29, 2002 *Akron (Ohio) Beacon Journal* article, "Other states show that such operations [virtual charter schools] can cost from \$900 per student to about \$3,000." (High school costs more.)
- "Profits could soar for online schools: Akron district joins 55 others in bid to start own cyber endeavors" in the *Akron (Ohio) Beacon Journal*, May 11, 2002: "Mike Carder, superintendent of the 700-student TRECA Digital Academy, says the potential profit margin at an online school is about 36 cents on each dollar of revenue for high school students and 54 cents for elementary school children. His academy is one of the public school charters controlled by TRECA, a consortium of 44 Ohio school districts."

Sources

Ohio Virtual Charter Schools

"Ohio Audit Reveals Difficulties Of Tracking Online Students." *Education Week*, December 5, 2001.

"Ohio Group Calls Home School Plan Illegal." *Akron (Ohio) Beacon Journal*, January 29, 2002.

Pennsylvania Virtual Charter Schools

"E-town joins lawsuit against charter school." *Intelligence Journal* (Lancaster, PA), January 16, 2002.

"State looks at cyber schools." *York (PA) Daily Record*, February 13, 2002.

"Virtual charters: public schooling at home." *Christian Science Monitor*, January 8, 2002.

"Pa. enters fray, sues Einstein Academy," *Intelligence Journal* (Lancaster, PA), February 14, 2002.

Ohio Legislative Audit of Bricks and Mortar Charter Schools

"Community Schools in Ohio: Preliminary Report on Proficiency Test Results, Attendance, and Satisfaction," by the Legislative Office of Education Oversight, 77 South High Street, 15th Floor, Columbus OH 43215, 614-752-9686, www.LOEO.STATE.OH.US. Note: Charter schools are referred to as "community schools" in Ohio statutes.

Financial Problems of Edison Schools, Inc.

"Woes for Company Running Schools: Financial Problems of Edison Are Worry for Philadelphia," *The New York Times*, May 14, 2002.

Difficulties Facing Online Universities

"Lessons Learned at Dot-Com U," *The New York Times*, May 2, 2002.

Sylvan Ventures Charter School in Appleton Unworthy of Public Trust and Public Funds

The Sylvan Ventures charter school in Appleton, called Wisconsin Connections Academy (WCA), has shown itself to be unworthy of public trust and public funds. Promoters of WCA repeatedly presented misleading and inaccurate information during the open houses and in writing in other states. For example, David Benoit, Executive Vice President of Sylvan Ventures, was asked by the Denver (Colorado) School Board about the number of hours of direct instruction. He wrote, "Over the course of the 180-day academic year, New Connections Academy students will be expected to document a [sic] 6 to 8 hours per day of engaged time." He added, "(NCA [New Connections Academy] will track this engaged time through its technology-based curriculum management system.)" However, when he was asked the same question during a WCA open house, Benoit said that parents didn't need to worry about the hours, that Sylvan was interested in performance, not hours.

During WCA open houses and again during an interview on Milwaukee Public Television, Pat Laystrom, Education Consultant and Project Manager for WCA, was asked how much time students would need to spend on direct instruction via their computer. She consistently replied, "Minimal," although she also sometimes admitted that kindergartners would need to spend 2 1/2 hours and older students more. Many people do not feel this is minimal, especially considering the potential for physical, mental, and emotional damage from computer use, especially by young children.

Although WCA's Planning Phase grant proposal clearly indicates that they were planning to market to public school students as well as homeschoolers, WCA actually limited its marketing primarily to homeschoolers. When asked why the school districts in which open houses were held were not notified, Laystrom said there wasn't enough time. However, there had been plenty of time to use telemarketing and direct mail to target homeschoolers. Perhaps the difficulties virtual charter schools were encountering in Ohio, Pennsylvania, and North Carolina influenced WCA's decision to market primarily to homeschoolers in Wisconsin.

Marketers for WCA repeatedly claimed that WCA was non-profit. While this is technically true, it is misleading. When asked by the Denver School District to identify the charter school's relation to Sylvan Learning, Benoit wrote, "The corporate entity directly involved with New Connections Academy is Sylvan Ventures, the founding investor of the Virtual School Company of which New Connections Academy in Colorado is a wholly owned subsidiary. This Virtual School Company provides all of the educational and operational services delivered by New Connections Academy in Colorado." He also wrote, "The Sylvan Ventures Virtual School Company corporate board will be the legal board governing New Connections Academy operations. The corporate board will be guided by a Colorado-based Advisory Board of Directors." Presumably, Sylvan would have the same type of control over WCA, meaning that WCA would really be run by the for-profit Sylvan Ventures. (Visit WPA's web site at www.homeschooling-wpa.org and click on "Issues and Legislation" for the full text of "New Connections Academy Questions and Answers re: Charter School Application 10/25/01")