



# Cooperative Council for Oklahoma School Administration (CCOSA) Response to Questions Regarding Transparency and Accountability of Oklahoma's Virtual Charter Schools November 2018

The use of technology in providing educational opportunities is everchanging. In recent years, higher education, career tech, and common education have begun using technology for virtual/online classes and blended classes. Proponents of online education argue that publicly funded K-12 virtual charter schools can revolutionize teaching and learning while dramatically reducing the cost and increasing the availability of high-quality education. Although the rapid spread of virtual charter schools suggests that policymakers are embracing this vision, researchers have identified a number of concerns about their effectiveness, inclusiveness, funding, and the prominence of for-profit entities.<sup>1</sup> CCOSA concurs with the NEPC recommendations listed at the end of this report. The following statements reflect CCOSA's position on virtual education in Oklahoma.

*CCOSA is supportive of innovative methods of delivering instruction that are high quality, equitable for all students, and build strong communities.*

*CCOSA acknowledges that for-profit virtual instruction is a growing trend, but also recognizes that trends do not ensure quality instruction, transparency, and accountability.*

*CCOSA encourages all public schools to offer virtual/blended opportunities when appropriate and needed.*

This document addresses the following areas of concern with virtual charter schools:

- Academic Performance Issues
- Student and Accreditation Issues
- Financial Issues
- Governance Issues
- Teacher Issues

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<sup>1</sup> Much of the research cited in this document comes from the following study: Miron, G., Shank, C., & Davidson, C. (2018). *Full-Time Virtual and Blended Schools: Enrollment, Student Characteristics, and Performance*. Boulder, CO: National Education Policy Center. Retrieved September 5, 2018 from <http://nepc.colorado.edu/publication/virtual-schools-annual-2018>. For further resources about virtual education issues, see Saultz, A., & Fusarelli, L. D. (2017). Online Schooling: A Cautionary Tale. *Journal of School Choice*, 11:1, 29-41, doi:10.1080/15582159.2016.1272928; National Alliance for Public Charter Schools, National Association of Charter School Authorizers, & 50CAN (June 2016). *A Call to Action to Improve the Quality of Full-Time Virtual Charter Public Schools*. Retrieved November 8, 2018 from <https://www.publiccharters.org/sites/default/files/migrated/wp-content/uploads/2016/06/Virtuals-FINAL-06202016-1.pdf>.



This report will use Epic, the largest virtual charter school in the state, as the primary example.

## Definitions

Virtual Instruction – Delivery of instruction via the internet and electronic communication with the student traditionally learning from home and the teacher in a remote location.

Blended Instruction – A combination of virtual instruction with traditional face-to-face instruction in classrooms.

Education Management Organizations (EMOs) – Management firms that can be for-profit or not-for-profit that are employed to run virtual charter schools.

Full Academic Year (FAY) - For accountability purposes, FAY criteria are used for determination of inclusion in accountability measures. FAY criteria apply to all indicators (with the exception of graduation): Academic Achievement, Academic Growth, ELPA Progress, Chronic Absenteeism, and Postsecondary Opportunities. A student is considered FAY for an indicator if he or she enrolled within the first 20 instructional days of the school year and does not have a gap of 10 or more consecutive instructional days of enrollment prior to the applicable FAY end date for that indicator.<sup>2</sup>

Non-Full Academic Year (NFAY) - A student may be NFAY at different levels.

- A student may be NFAY at the school level only. This happens when the student is enrolled within the first 20 instructional days and the student had a gap of 10 or more days at the school level. For instance, a student may have switched schools but stayed within the district. This student's record will be used in district and state accountability.
- A student may be NFAY at the school and district level. This happens when the student is enrolled within the first 20 instructional days and the student had a gap of 10 or more days at the school and district level. For instance, a student may have transferred to another school in another district. This student's record will be used in state accountability.
- A student may be NFAY at the school, district, and state level. This happens when the student was either:
  - Enrolled in an Oklahoma public school for the first time AFTER the first 20 instructional days of the school year.
  - Enrolled within the first 20 instructional days but has a lapse of 10 or more consecutive instructional days with no enrollment in any Oklahoma public school.

**This student's records are excluded from school, district, and state accountability.<sup>3</sup>**

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<sup>2</sup> *Full Academic Year Overview*, OKLAHOMA STATE DEPARTMENT OF EDUCATION (Oct. 4, 2018). Retrieved November 4, 2018 from [https://sde.ok.gov/sites/default/files/documents/files/NFAY\\_Guide.pdf](https://sde.ok.gov/sites/default/files/documents/files/NFAY_Guide.pdf).

<sup>3</sup> *Id.*



## Academic Performance Issues

Evidence related to inputs and outcomes indicates that students' performance in virtual charter and blended schools differs from students' performance in traditional public schools. In particular according to the NEPC report, **school performance measures for both virtual charter and blended schools indicate that they are not as successful as traditional public schools.** Nevertheless, enrollment in these schools continues to grow.<sup>4</sup>

The May 2018 National Education Policy Center (NEPC) Report (May 2018 NEPC Report) reflects that, nationwide, virtual charter schools continue to underperform academically in comparison to blended schools. Of those with available 2016-17 school performance ratings, 36.4% of full-time virtual charter schools and 43.1% of blended schools received acceptable performance ratings. Virtual schools operated by traditional public schools performed better (53.8% acceptable) than charter-operated virtual schools (20.7% acceptable).<sup>5</sup> The May 2018 NEPC Report also reflects that the graduation rates of 50.7% in full-time virtual charter schools and 49.5% in blended schools fall short of the national average of 83% in traditional public schools.<sup>6</sup>

In regard to graduation rates and test scores, most Oklahoma traditional public schools also outperform virtual charter schools. For example, according to the 2017 graduation report from the Oklahoma State Department of Education (OSDE), Epic finished in the bottom five schools in graduation rates in 2017 with a rate of 36%.<sup>7</sup> (Epic's bottom-five finish was determined by examining the graduation rate for "All" for each school listed in OSDE's 2017 graduation report.) Further, in a September 2018 Oklahoma legislative study, the OSDE reported, per the document referenced as Exhibit 1, that graduation rates at Oklahoma virtual charter schools range from 35.7% (virtual – Epic) to 43.8% (virtual – not Epic) in comparison to non-virtual graduation rates averaging 84.7%.<sup>8</sup>

Regarding test scores, Oklahoma's 2016-2017 State Test Score data for Grade 10, the highest grade tested that year, reflect:<sup>9</sup>

<u>State % Proficient &amp; Advanced</u>		<u>Epic % Proficient &amp; Advanced</u>	
Math	26	Math	10
Science	19	Science	11
ELA	36	ELA	23
US History	51	US History	33

<sup>4</sup> *May 2018 NEPC Report* at 9, 30-31.

<sup>5</sup> *Id.* at 34.

<sup>6</sup> *Id.* at 39-40.

<sup>7</sup> *Oklahoma Public School Graduation Rates, 2017 State, District, and Site Grad Rates*, at line 5609, OKLAHOMA STATE DEPARTMENT OF EDUCATION (Sept. 20, 2018). Retrieved November 5, 2018 from <http://www.sde.ok.gov/sde/documents/2015-09-25/oklahoma-public-school-graduation-rates>.

<sup>8</sup> Exhibit 1, *Comparison of Virtual Charter Schools to Brick and Mortar Schools*, OKLAHOMA STATE DEPARTMENT OF EDUCATION (Sept. 2018).

<sup>9</sup> *10<sup>th</sup> Grade OSTP Assessment Results*, at lines 2 & 140, OKLAHOMA STATE DEPARTMENT OF EDUCATION (date finalized Nov. 21, 2017). Retrieved November 7, 2018 from [https://sde.ok.gov/sde/sites/ok.gov.sde/files/Grade 10 OSTP 2017 Redacted.xlsx](https://sde.ok.gov/sde/sites/ok.gov.sde/files/Grade%2010%20OSTP%202017%20Redacted.xlsx).



The 2017-2018 State Test Score data for Grade 8, the highest grade tested that year, reflect:<sup>10</sup>

<u>State % Proficient &amp; Advanced</u>		<u>Epic % Proficient &amp; Advanced</u>	
Math	20	Math	7
Science	19	Science	11
ELA	33	ELA	20

In addition to these differences in academic performance, issues exist regarding Full Academic Year (FAY) student counts compared to Non-Full Academic Year (NFAY) counts in virtual charter schools. For accountability purposes, FAY criteria are used for determination of inclusion in school accountability measures. Whether a student is counted as FAY or NFAY can make a significant difference in determining how students are performing on state testing and in calculating the grade a school earns on measures of state and federal accountability. As part of the September 2018 Oklahoma legislative study referenced above, OSDE officials reported, per Exhibit 1, that their most current data reflected that Epic had reported a 31.2% FAY rate for math testing, compared to 92.6% for other virtual charter schools and 93.2% for non-virtual schools.<sup>11</sup> English Language Arts (ELA) testing percentages were almost identical to the math percentages.<sup>12</sup> These significant differences between reported FAY percentages among Oklahoma schools suggest that a closer look is warranted to ensure that student test performance and school accountability are measured and reported accurately.

## Student and Accreditation Issues

Public schools are responsible for treating students in an equitable manner in all aspects of their programs, services, and activities and for compliance with state accreditation requirements.

The May 2018 NEPC Report reflects the following:

- Relative to national public school enrollment, virtual charter schools had substantially fewer minority students and fewer low-income students.<sup>13</sup>
- Non-profit EMOs enrolled a substantially higher proportion of low-income students than their for-profit counterparts.<sup>14</sup>
- The average student/teacher ratio in the nation's brick and mortar public schools was 16 students per teacher. Virtual schools reported having close to three times as many students per teacher (45) compared to the national average, while blended schools reported having almost twice as many (31.7) as the nation's public schools.<sup>15</sup>

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<sup>10</sup> 8<sup>th</sup> Grade OSTP Assessment Results, at lines 2 & 153, OKLAHOMA STATE DEPARTMENT OF EDUCATION (2018). Retrieved November 7, 2018 from <https://sde.ok.gov/sites/default/files/G8 OSTP 2018 Redacted 0.xlsx>.

<sup>11</sup> Exhibit 1, *Comparison of Virtual Charter Schools to Brick and Mortar Schools*.

<sup>12</sup> *Id.*

<sup>13</sup> *May 2018 NEPC Report* at 20-22.

<sup>14</sup> *Id.* at 22-23.

<sup>15</sup> *Id.* at 28-30.

OSDE data from 2017 also reflect similar significant differences between virtual charter school reporting and that of traditional public schools. For example, Epic High School's 2017-18 Application for Accreditation: Charter School, referenced hereto as Exhibit 2, reflects the following information concerning its student/teacher ratios:

- Five Epic High School teachers are reported as having over 2,000 students each in the following subjects: U.S. History, 2,239 students;<sup>16</sup> Chemistry I and Biology I, 2,039 total students;<sup>17</sup> Geometry and Algebra II, 2,908 total students;<sup>18</sup> English I, II, III, and IV, 2,746 total students;<sup>19</sup> and Algebra I, 2,948 students.<sup>20</sup>
- All other Epic High School teachers are reported under the description "Academic Achievement" with one or more assigned students.<sup>21</sup>

In addition to these student/teacher ratio issues, the "Academic Achievement" terminology also creates confusion regarding the qualifications needed for these teachers.

Furthermore, Oklahoma law requires Epic to report attendance based upon "on pace – on time" completion data.<sup>22</sup> As the state begins a new focus on "chronic absenteeism," under which traditional schools are accountable for "every" daily student absence, it is unclear how virtual charter schools are held to the daily attendance standard.

## Financial Issues

There are some substantial differences in financial transparency between Oklahoma's traditional public schools and virtual charter schools that may prevent taxpayers and policymakers from understanding how virtual schools spend some of their public dollars. All Oklahoma public schools are required to use the Oklahoma Cost Accounting System (OCAS) to record expenditures in a standard format and to obtain periodic independent audits of their financial performance. However, Oklahoma law does not require audits of companies that contract with virtual charter schools to operate those schools, making it difficult to determine and verify the schools' administrative and operational costs.

According to August 2017 Financial Statements for the year ended June 30, 2017 prepared by CBEW Professional Group, LLP<sup>23</sup> (August 2017 Auditor's Report), Epic pays Epic Youth Services (EYS), an Oklahoma LLC, an "administrative fee" of 10% of gross revenues for operating the school. EYS, in turn, contracts with Educational Administrative Services (EAS), a for-profit corporation, to provide

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<sup>16</sup> Exhibit 2, *Epic One on One Charter HS 2017-2018 Application for Accreditation: Charter School*, at 14 (third entry), OKLAHOMA STATE DEPARTMENT OF EDUCATION (Oct. 17, 2017).

<sup>17</sup> *Id.* at 17 (second entry).

<sup>18</sup> *Id.* at 50 (first entry).

<sup>19</sup> *Id.* at 74 (first entry).

<sup>20</sup> *Id.* at 97 (third entry).

<sup>21</sup> *Id.* at 11-117 (entries on every page).

<sup>22</sup> *Okla. Stat. tit. 70, § 3-145.8* (OSCN 2018).

<sup>23</sup> *CBEW Professional Group, LLP, Independent Auditor's Report* (Aug. 14, 2017), [https://www.sai.ok.gov/olps/uploads/epic\\_charter\\_audit\\_report\\_63017\\_owkn.pdf](https://www.sai.ok.gov/olps/uploads/epic_charter_audit_report_63017_owkn.pdf).



bookkeeping and consulting services, including the services of a treasurer.<sup>24</sup> Epic receives funding from state and federal sources. Epic is a separate entity for operating and financial reporting, and the August 2017 Auditor's Report only reflects Epic's activities. Other than the payments to EYS by Epic, none of the activities of EYS or EAS are included in the Auditor's Report.

According to 2016-2017 OSDE data, Epic received \$41,400,790 from school year 2017,<sup>25</sup> had a carryover from the previous school year of \$5,685,107,<sup>26</sup> and had \$38,701,823 in expenditures.<sup>27</sup> Within those expenditures, OCAS object codes 300-500 show \$15,342,669 in what are called "purchased services."<sup>28</sup> These are the object codes that would include Epic's payments to EYS, the operating company.

In comparison to Epic, Owasso Public Schools, an Oklahoma public school with similar student population to Epic, had \$1,342,417 of "purchased services" under OCAS object codes 300-500<sup>29</sup> during the same period in which Epic had "purchased services" of \$15,342,669. Without financial transparency to reflect Epic's need for its significantly greater amount of purchased services, policymakers and taxpayers could conclude that a school of Epic's teacher and student count could operate effectively with a budget as low as \$21,000,000 - an amount far less than the \$41,000,000 in funding it received in 2016-17.

In addition, according to the 2017 OCAS reports on the OSDE website, Epic reports 3.28% administrative costs;<sup>30</sup> however, the August 2017 Auditor's Report reflects that Epic contracted 10% of gross revenues for operational and administrative services. This difference raises questions whether the OCAS data accurately reflect Epic's administrative cost and whether changes to Oklahoma law and regulations are necessary to ensure financial transparency for virtual charter schools that use school business models not contemplated by OCAS.

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<sup>24</sup> *Id.* at 6.

<sup>25</sup> *Epic One Virtual Charter, 2017 – OCAS – School District Revenue Report*, OKLAHOMA STATE DEPARTMENT OF EDUCATION. Retrieved November 5, 2018 from

<https://sdeweb01.sde.ok.gov/OCAS/NormalPages/Common/ReportsPassThrough.aspx?RepID=DistrictRevenue&ycd=1&Year=2017&CountyCode=55&DistrictCode=Z001>.

<sup>26</sup> *Id.*

<sup>27</sup> *Epic One Virtual Charter, 2017 – OCAS – School District Expenditures*, OKLAHOMA STATE DEPARTMENT OF EDUCATION. Retrieved November 5, 2018 from

[https://sdeweb01.sde.ok.gov/OCAS/NormalPages/Common/ReportsPassThrough.aspx?RepID=DistrictExpenditures\\_HB1202&ycd=1&Year=2017&CountyCode=55&DistrictCode=Z001](https://sdeweb01.sde.ok.gov/OCAS/NormalPages/Common/ReportsPassThrough.aspx?RepID=DistrictExpenditures_HB1202&ycd=1&Year=2017&CountyCode=55&DistrictCode=Z001).

<sup>28</sup> *Id.*

<sup>29</sup> *Owasso, 2017 – OCAS – School District Expenditures*, OKLAHOMA STATE DEPARTMENT OF EDUCATION. Retrieved November 6, 2018 from

<https://sdeweb01.sde.ok.gov/OCAS/NormalPages/Common/ReportsPassThrough.aspx?RepID=DistrictExpenditures&ycd=1&Year=2017&CountyCode=72&DistrictCode=I011>.

<sup>30</sup> *Epic One Virtual Charter, 2017 – OCAS – Administrative [sic] Costs Details*, OKLAHOMA STATE DEPARTMENT OF EDUCATION. Retrieved November 4, 2018 from

<https://sdeweb01.sde.ok.gov/OCAS/NormalPages/Common/ReportsPassThrough.aspx?RepID=AdministrativeCostDetails&ycd=1&Year=2017&CountyCode=55&DistrictCode=Z001>.



Finally, Epic has a practice of rewarding parents with an \$800 credit for educational purposes. This credit is also often used for private dance lessons, gymnastics, music, and other recreational activities. Epic's incentives of additional monetary credits when parents recruit other parents and students to the school present another concern about the appropriate use of public funds not contemplated by state law or regulations.

## Governance Issues

Oklahoma's traditional public schools are governed by local boards of education whose members are elected through processes defined by state law.<sup>31</sup> Oklahoma law also includes processes intended to minimize the possibility that board members' decisions will be influenced by certain family relationships or by personal or professional financial gain.<sup>32</sup> The purpose of these laws is ostensibly to make local boards of education accountable to their local electors and to prevent board members from prioritizing their own interests over those of their district.

For any Oklahoma K-12 schools not subject to these requirements, taxpayers and policymakers may legitimately question how the board members for those schools are selected and what legally-required processes protect the interests of Oklahoma taxpayers whose public dollars support those schools.

According to the August 2017 Auditor's Report, the governing body of Epic is composed of four nominated members who are also directors of Community Strategies, Inc., a not-for-profit entity.<sup>33</sup> The founder was appointed as the executive officer of Epic.<sup>34</sup> Only Epic's activities are included in the August 2017 Auditor's Report; the activities of Community Strategies are not.<sup>35</sup> The untold specifics of this business arrangement are significant because Epic receives millions in public dollars annually. At a minimum, taxpayers should know how Epic's nominated board members are selected and how potential personal and financial conflicts of interest among board members, the executive officer, and Epic are prevented, as they would be for other school board members under Oklahoma law.

## Teacher Issues

In addition to the question about certain teacher qualifications in the Student and Accreditation Issues section, above, anecdotal information also indicates that issues exist between traditional public schools and at least some virtual schools about teacher staffing. Specifically, traditional public schools are unable to compete financially with the salaries that Epic is offering to teachers with certain types of certification.

Reportedly, Epic uses paid advertisements listing salaries for some positions, particularly special education teachers, that are double the salaries that traditional public schools are able to pay.

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<sup>31</sup> *Okla. Stat. tit. 70, §§ 5-106(A), 5-107A, 5-107B(A)* (OSCN 2018).

<sup>32</sup> *Id.* §§ 5-113, 5-113.1, 5-113.2, 5-124.

<sup>33</sup> *August 2017 Auditor's Report* at 6.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

Teachers are leaving traditional public schools to claim those positions, sometimes during the school year. That places an undue hardship on the students losing their teacher and the schools unable to find another certified teacher to take that position. Although there are rules that govern the circumstances under which a certified teacher can leave one public school district to teach in another without the agreement of the original district, there is anecdotal information to indicate that Epic may have contracted with teachers leaving their districts without such an agreement. There are also anecdotal reports that, in that situation, both the virtual school and the traditional school have counted the teacher, causing confusion about which school should receive certain funding.

Perhaps the biggest concern arising from these anecdotal reports concerns overall school funding for virtual schools. If Epic can pay double the salary for hard-to-fill positions that a traditional public school can pay, taxpayers and policymakers should surely reexamine the virtual school funding formula.

## NEPC Recommendations for Policymakers

In the May 2018 NEPC Report, the NEPC made the following recommendations for policymakers<sup>36</sup> to address the issues explained in their recent study and examined above:

- Specify a maximum student-teacher ratio for virtual charter and blended schools to ensure that all students receive adequate teacher support and attention.
- Require that teachers employed by virtual charter schools take primary responsibility for students' education. According to NEPC, the current "corporate" model relies largely on the parent as a teacher and provides contracted teachers with insufficient time to interact with students and to provide support for those students who struggle.
- **It is critical to reframe funding formulas to more closely reflect actual costs. The necessary research must be conducted by persons or entities with no vested interest in, and no relationship with, private EMOs.**
- Study and adapt Florida's resource allocation system for virtual charter schools, which funds virtual charter schools at about 71% of the state aid for common schools, and which provides funding only for students who were enrolled throughout the school year and who pass state assessments.
- Ensure transparency of school-specific data, pushing back on EMOs that consider information regarding the operation of the school to be proprietary. School boards must have access to detailed budget data to hold private EMOs accountable. State education agencies and the public also must have access to school operating and outcome data similar to that available for traditional public schools to protect both children's and taxpayers' interests.
- State agencies should ensure that virtual charter and blended schools fully report data related to the student population they serve and the teachers they employ.

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<sup>36</sup> May 2018 NEPC Report at 41-45.



- While we know the current models for virtual charter and blended schools are problematic, **it is possible that many full-time virtual and blended programs based in traditional public schools or districts may be more successful.**
- Policymakers should slow or stop the growth in the number of virtual charter schools and in the size of their enrollments until the factors responsible for their relatively poor performance have been addressed.

## Conclusion

CCOSA recognizes that many parents want virtual and blended education options, but may not be aware of the lack of quality instruction, transparency, and accountability of many of the models approved in the state. CCOSA concurs with the NEPC recommendations listed above. CCOSA is in the process of identifying the best virtual/blended practices by districts across the state. CCOSA will work with school districts to help them learn more about high quality virtual practices and how districts can adopt those best practices.

Finally, CCOSA will collaborate with lawmakers on recommended statutes and administrative rules that will properly govern virtual charter schools and address the many issues and concerns listed in the May 2018 NEPC report.