

An Evaluation:

## Virtual Charter Schools

Department of Public Instruction

February 2010

# Report Highlights ■

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***Enrollment in virtual charter schools has increased in every school year since 2002-03.***

***Virtual charter schools spent an estimated \$17.8 million in the 2007-08 school year.***

***In the 2007-08 school year, 161 virtual charter school teachers were licensed in Wisconsin.***

***On statewide assessment exams, virtual charter school pupils typically scored higher than other public school pupils in reading and lower in mathematics.***

***The 5,250-pupil statutory limit on open enrollment in virtual charter schools will likely be reached within the next few years.***

Virtual charter schools are publicly funded nonsectarian schools that are exempt from many regulations that apply to traditional public schools and that offer the majority of their classes online. They began operating in Wisconsin during the 2002-03 school year. Pupils typically attend from their homes and communicate with teachers using e-mail, by telephone, or in online discussions. During the 2007-08 school year, 15 virtual charter schools enrolled 2,951 pupils. Most were high schools.

A Wisconsin Court of Appeals ruling in December 2007 prevented the Department of Public Instruction (DPI) from providing state aid payments to a virtual charter school through the open enrollment program, which allows pupils to attend public schools outside of their school districts of residence. 2007 Wisconsin Act 222, which was enacted to address concerns raised in the lawsuit, also required us to address a number of topics related to virtual charter schools. Therefore, we evaluated:

- enrollment trends, including the potential effects of a limit on open enrollment in virtual charter schools that was enacted in 2007 Wisconsin Act 222;
- virtual charter school operations, including attendance requirements, opportunities for social development and interaction, and the provision of special education and related services;
- funding and expenditures, including the fiscal effects of open enrollment on "sending" and "receiving" districts;
- teaching in virtual charter schools, including teacher licensing and pupil-teacher interaction; and
- academic achievement, including test scores and other measures, as well as pupils', parents', and teachers' satisfaction with virtual charter schools.

### Key Facts

## and Findings

## Full-time Enrollment

*In the 2007-08 school year, 11 Wisconsin school districts operated 15 virtual charter schools.*

*Enrollment increased from 265 pupils in the 2002-03 school year to 2,951 pupils in the 2007-08 school year.*

*In the 2007-08 school year, five large virtual charter schools paid contractors amounts ranging from \$1.2 million to \$3.3 million.*

*Virtual charter schools are generally less expensive to operate than traditional public schools.*

*More than 90.0 percent of the parents and guardians, teachers, and high school pupils who responded to our survey were satisfied with their virtual charter schools.*

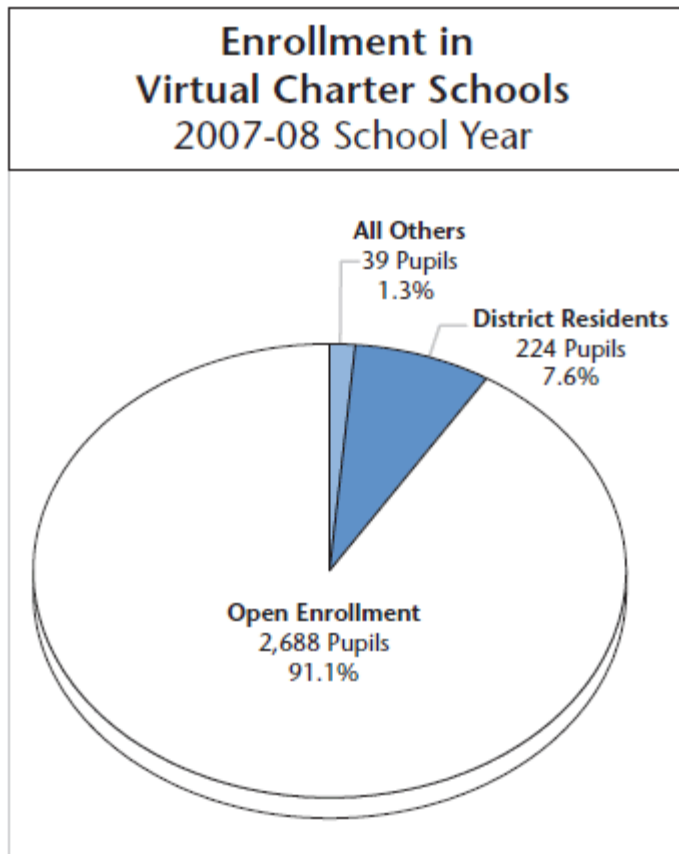
The number of virtual charter schools in Wisconsin increased from 4 schools operating in 3 school districts during the 2002-03 school year to 15 schools operating in 11 school districts during the 2007-08 school year.

### Growth in Virtual Charter Schools

<u>School Year</u>	<u>Virtual Charter Schools</u>	<u>Chartering Districts</u>
2002-03	4	3
2003-04	5	4
2004-05	7	6
2005-06	9	8
2006-07	11	9
2007-08	15	11

Full-time enrollment in virtual charter schools increased from 265 pupils in the 2002-03 school year to 2,951 pupils in the 2007-08 school year. In the five largest schools, which enrolled 92.2 percent of all pupils in 2007-08, total enrollment ranged from 245 to 865 pupils. The smallest school enrolled two full-time pupils.

In the 2007-08 school year, 7.6 percent of virtual charter school pupils attended schools that were chartered by the districts in which they resided. In contrast, 91.1 percent attended through open enrollment, which requires payment from the district of residence (the sending district) to the district that chartered the virtual school (the receiving district). For the 2007-08 school year, the required payment was \$6,007 per full-time pupil.



## Revenue and Expenditures

Virtual charter schools are funded by a mix of federal charter school grants; fees; general district revenue, including property tax revenue; and state aid, which represented 79.0 percent of their total revenue in the 2007-08 school year. State aid payments were \$14.2 million. Revenue from all sources totaled \$18.0 million.

Virtual charter schools spent an estimated \$17.8 million in the 2007-08 school year, primarily for online curriculum materials and staffing. Reported advertising expenditures increased from \$4,500 in the 2002-03 school year to \$714,900 in the 2007-08 school year.

Five large virtual charter schools engaged four principal contractors to provide online curriculum materials, computers and Internet subsidies for pupils, and assistance with administrative operations. Their payments to these contractors totaled \$8.6 million in 2007-08.

Chartering districts have a financial incentive to attract additional pupils through open enrollment. For example, in the 2007-08 school year, 8 of the 15 virtual charter schools' per pupil expenditures were less than the \$6,007 payment per full-time open enrollment pupil. In contrast, most sending districts experience negative financial effects when resident pupils attend virtual charter schools in other districts, because the loss of enrollment is not sufficient to reduce their fixed costs to operate traditional schools.

## Teaching in Virtual Charter Schools

We reviewed licensing data to ensure that all virtual charter school teachers were properly licensed to teach in the 2007-08 school year. We found that all 161 virtual charter school teachers were licensed in Wisconsin and taught subjects and grade levels that were appropriately authorized by their professional Wisconsin teaching licenses: 112 of the licensed teachers were employed by chartering school districts, and 49 were employed by contractors. Eleven virtual charter schools also reported using teaching assistants employed by contractors.

Since July 1, 2009, virtual charter school teachers have been required by 2007 Wisconsin Act 222 to be licensed for the subject area and grade level at which they are teaching, regardless of whether they hold a charter school instructional staff license. Teachers in the Monroe School District who hold charter school instructional staff licenses do not meet the new requirement.

## Academic Achievement

The Wisconsin Knowledge and Concepts Examination is administered each year in public schools, including virtual charter schools, to pupils in grades 3 through 8 and grade 10.

We analyzed test scores for the three-year period from 2005-06 through 2007-08. We found that virtual charter school pupils had higher median reading scores than other public school pupils, but their mathematics scores were generally lower. Only a small number of pupils were continuously enrolled in virtual charter schools for the past several years, and performance varied.

## Future Considerations

2007 Wisconsin Act 222 limits the number of full-time pupils who may attend virtual charter schools through open enrollment to 5,250 per year, beginning in the 2009-10 school year. The open enrollment limit will likely be reached in the near future.

In response to our survey, parents and guardians, teachers, and high school pupils reported widespread satisfaction with their virtual charter schools.

Our report includes a number of recommendations for DPI to provide information that can inform continued legislative debate about the program's size and scope, and enhance compliance with program rules.

## Recommendations

We include recommendations for DPI to:

- compile statutorily required attendance and pupil participation information and report it annually to the Joint Legislative Audit Committee and the relevant standing committees of the Legislature ([p. 21](#));
- continue to facilitate the exchange of information on the provision of special education services among virtual charter school districts ([p. 25](#));

- verify that all virtual charter school and online program teachers teach subjects and grade levels that are appropriately authorized by their professional teaching licenses ([p. 48](#) and [p. 66](#));
- analyze the academic performance of virtual charter school pupils relative to other public school pupils and annually report the results of its analysis to the Joint Legislative Audit Committee and the relevant standing committees of the Legislature ([p. 61](#));
- complete the annual open enrollment report that is required by s. 118.51(15)(c), Wis. Stats., including the number of open enrollment applications, the number of denials, and the reasons for the denials ([p. 69](#)); and
- report to the Joint Legislative Audit Committee and the relevant standing committees of the Legislature by July 1, 2010, on its efforts to form an advisory group to review online education issues and counsel the State Superintendent of Public Instruction and other policymakers ([p. 72](#)).

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