

Testimony on S.B. 1066 Before the Senate Education Committee  
Dr. Gordon Lafer, University of Oregon  
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Chair Dembrow and members of the Senate Education Committee:

Thank you for the opportunity to submit testimony on **SB 1066**. My name is Gordon Lafer. I am a professor at the University of Oregon and a Fellow at the National Education Policy Center. I have spent the past seven years conducting research on charter schools, and most recently produced a report specifically on virtual charter schools – including a special focus on K12, Inc./Stride and Connections Academy, the companies behind Oregon’s virtual charter schools.

Based on this research, I was asked to serve as an expert advisor to the California Department of Education’s Charter School Task Force. I am also an elected member of the school board in the Eugene-4J school district.

I am writing in strong support of SB 1066, which seeks to find meaningful ways to hold for-profit virtual entities accountable for the quality of education they provide for the considerable public resources they consume.

As research and data reflect, online charter schools operated by private, for-profit corporations (as Oregon’s are) are the single lowest-performing class of schools in the country – including both charter and traditional public schools. Students enrolled in these operators receive a degraded quality of education. Recent proliferation of virtual charter school enrollments should concern you all, because their very operation in our state imposes steep fiscal costs on public school districts. When students leave a public school district for a charter, per-pupil funding leaves with them. But their home districts don’t save that much money by serving fewer students, because they still have to pay for many fixed costs – principals, secretaries, custodians, cafeterias, busses, utilities and central district staff. Because these fixed costs can’t be cut, districts are forced to impose cuts in the classroom – creating more crowded classes, closing libraries, laying off nurses and counselors, cutting drama and art and athletics and hands-on laboratory science and more.

National research shows that approximately 40% of school district costs are “fixed” – meaning that if there is an increase of \$10 million going to charter schools, this in turn entails a net cut of \$4 million for students in traditional public schools. Because traditional public schools also educate the hardest and most expensive to serve students – those who are homeless, who face the most serious special needs, the lowest-income and others – this means the neediest students end up concentrated in traditional public schools that lack the resources to serve them.

Virtual charter schools are paid close to the same dollar-per-student funding rate even though their cost structure is much lower. If there was ever a poster child for government waste, it is throwing away millions of dollars in taxpayer funds by paying virtual charters so far above their costs. These problems are explained in more detail below. SB 1066 will cause its task force to explore the funding of these entities to determine whether their considerable State School Fund allocation is set at the fiscally prudent level, or whether some lesser threshold would be more in line with actual costs.

Virtual charter schools run by private, for-profit corporations are the single worst performing group of K-12 schools in the country. Here are some additional points related to their educational quality deficits:

- Researchers have long found that the single lowest-performing category of schools are charter schools operated by for-profit companies such as K12 Inc. or Connections Academy.<sup>1</sup>

- The most recent comprehensive national study (done at Stanford University) found that virtual charter schools have an “overwhelmingly negative impact” on student achievement. By attending virtual charters, student lost an average of 180 days of learning in math compared to similar students attending traditional public schools, leading one analyst to conclude that “it is literally as if the kid did not go to school for an entire year.”<sup>2</sup>
- A 2019 study of virtual charters in Pennsylvania, also conducted by Stanford, found that students in online charters lost the equivalent of 106 days in reading and 118 days in math compared with similar students in traditional public schools.<sup>3</sup>
- In 2020, North Carolina listed both Connections Academy and K12 Inc. among that state’s “continually low-performing schools,” and gave both schools a grade of D.<sup>4</sup>
- The Georgia Board of Education voted in 2019 to end its relationship with K12 Inc. after the company’s Georgia Cyber Academy failed to meet its academic targets for 12 consecutive years.<sup>5</sup>
- Indiana capped enrollment in its K12 Inc charter school and threatened to close the school completely after it received an F grade for six years running; Connections Academy did better – it raised its grade from F to D.<sup>6</sup>
- Nevada’s Charter School Authority voted to close a Connections Academy elementary school after it received the state’s lowest academic ranking for three years running.<sup>7</sup>
- In 2017-20, Connections Academy or K12, Inc./Stride-run schools have been closed, received failing grades, or targeted for intervention in Massachusetts, Illinois, Oklahoma and Idaho.<sup>8</sup> (103)

Is this because online charters educate different types of students? No. All the above studies were done comparing demographically similar types of students. Students who transfer from traditional public schools to online charters suffer significant educational deficits. A peer-reviewed academic study published in March of 2020 examined students who had been enrolled in traditional public schools and switched to virtual charter schools. The authors report that, for both Reading and Math, “the impact of attending a virtual charter on student achievement is uniformly and profoundly negative.”<sup>9</sup>

By contrast, online programs run by public school districts cost less and have better educational performance. A 2019 national study found that **56.7% of online schools operated by school districts achieved acceptable state performance ratings, versus only 29.8% of online charters operated by for-profit companies like K12, Inc./Stride or Connections Academy.**<sup>10</sup>

Furthermore, because they don’t spend money on added administrators, marketing campaigns, or parent company profits, district-run online schools are cheaper than those run by for-profit parent corporations. One 2018 survey of school administrators found that school districts were able to offer a “fully-functioning cyber school option for their students” for \$5,000 per student less than what was being paid to online charters.<sup>11</sup>

Finally, equity concerns abound. Virtual charter schools exclude the neediest students, and by their nature, they tend to exclude students whose English (or that of their parents) is not good enough to study independently at home; as well as students whose parents have to work and can’t stay home all day guiding their child’s learning. Virtual charters also typically enroll a smaller percentage of students

with special needs than do traditional public schools – and even within this group their enrollment is tilted toward students with more mild needs such as ADHD or dyslexia, rather than those with more serious needs. When the most expensive-to-serve students are concentrated in district-run schools, this creates added fiscal shortfalls for public school districts.

The companies that operate Oregon’s virtual charter schools have been found to have falsified attendance and achievement records.

- In 2016, K12 Inc. was forced to return over \$160 million in school funding after the California Attorney General charged the company with artificially inflating attendance rates and misleading parents with false advertising about students’ academic progress, class size, parent satisfaction, and the quality of materials provided to students.<sup>12</sup>
- In Pennsylvania’s K12, Inc. schools, teachers reported being “pressured to pass students who did little work.”<sup>13</sup>
- Teachers at K12, Inc’s schools in California reported that attendance figures were nearly meaningless, as a student logging on for one minute would be counted as a full day’s attendance.<sup>14</sup>

Per-pupil funding for virtual charter schools far exceeds their true operating costs – making this industry attractive to Wall Street investors, but wasting millions of Oregon taxpayer dollars. Per-pupil funding for traditional schools is based roughly on what it costs to operate a brick-and-mortar school. But funding for online charters is also based on the rough cost of operating a brick-and-mortar school, even though its expenses are dramatically lower. This is what has led Wall Street to treat online charters as a high-profit investment. Oregon taxpayers should not be paying for Wall Street profits. Per-pupil funding should reflect the actual cost of operating an online charter school.

If someone is interested in even more detail on these questions, my two most recent research reports are available online, and I’d be happy to answer any questions about them. One documents how the unregulated expansion of charter schools creates fiscal crises for public school districts ([https://www.inthepublicinterest.org/wpcontent/uploads/ITPI\\_Breaking\\_Point\\_May2018FINAL.pdf](https://www.inthepublicinterest.org/wpcontent/uploads/ITPI_Breaking_Point_May2018FINAL.pdf)) and the other shows the poor educational performance, dramatic overpayment, and widespread corruption of the virtual charter school industry ([https://www.inthepublicinterest.org/wpcontent/uploads/ITPI\\_CostlyFailure\\_Feb2021\\_FINAL.pdf](https://www.inthepublicinterest.org/wpcontent/uploads/ITPI_CostlyFailure_Feb2021_FINAL.pdf)).

Thank you again for the opportunity to testify. Should this bill pass, it would be my honor to contribute my expertise on the task force that will be formed.

#### FOOTNOTES

**1** See for example Center for Research on Education Outcomes (CREDO). 2009. Multiple Choice: Charter School Performance in 16 States. Stanford University, [http://credo.stanford.edu/reports/MULTIPLE\\_CHOICE\\_CREDO.pdf](http://credo.stanford.edu/reports/MULTIPLE_CHOICE_CREDO.pdf) and Miron, Gary, Jessica Urschel, Mayra Aguilar, and Breanna Dailey. 2012. Profiles of For-Profit and Nonprofit Education Management Organizations, Thirteenth Annual Report, 2010-11. National Education Policy Center. [http://nepc.colorado.edu/files/EMO-profiles-10-11\\_0.pdf](http://nepc.colorado.edu/files/EMO-profiles-10-11_0.pdf).

**2** Comment reported in Valerie Straus, “Study on online charter schools: ‘It is literally as if the kid did not go to school for an entire year,’” Washington Post, October 31, 2015. <https://www.washingtonpost.com/news/answer-sheet/wp/2015/10/31/study-on-online-charter-schools-it-is-literally-as-if-the-kid-did-not-go-to-school-for-an-entire-year/>. The study is Center for Research on Educational Outcomes, Stanford University, Online Charter School Study, 2015. <https://credo.stanford.edu/publications/online-charter-school-study>.

**3** Center for Research on Educational Outcomes, Stanford University, Charter School Performance in Pennsylvania, 2019. <https://credo.stanford.edu/publications/charter-school-performance-pennsylvania>.

**4** Greg Childress, "Advisory board advances plan to expand struggling virtual charter schools during the pandemic," North Carolina Policy Watch, August 13, 2020, <https://www.ncpolicywatch.com/2020/08/13/advisory-board-advances-plan-to-expand-struggling-virtual-charter-schools-during-the-pandemic/print>.

**5** Alyson Klein, "K12 Inc., Georgia Charter School Locked in Bitter Fight," Education Week, August 13, 2019, <https://www.edweek.org/ew/articles/2019/08/13/k12-inc-georgia-charter-school-locked-in.html>.

**6** Eric Weddle, "Failing Virtual Charter School Escapes Closure But Will Shrink," WFYI Indianapolis, May 10, 2017, <https://www.wfyi.org/news/articles/virtual-charter-school-escapes-closure-but-will-shrink> (accessed November 8, 2020); "Indiana Connections Academy: 2019 Annual Performance Report," Connections Academy, [https://www.connectionsacademy.com/Portals/14/caschools/inca/documents/pdfs/INCA\\_2019\\_Annual\\_Performance\\_Report.pdf](https://www.connectionsacademy.com/Portals/14/caschools/inca/documents/pdfs/INCA_2019_Annual_Performance_Report.pdf) (accessed November 16, 2020).

**7** April Corbin Girnus, "Nevada Connections Academy settles with state, will keep online high school open," Nevada Current, May 6, 2020.

**8** Oklahoma's most recent state report card showed Connections Academy receiving D's for two years running, while K12 Inc.'s school received consecutive F's. Oklahoma State Department of Education, Oklahoma Charter School Report 2019, <https://sde.ok.gov/sites/default/files/2019%20Charter%20Report%20Final.pdf> (accessed November 16, 2020). Massachusetts' Connections Academy school was targeted for intervention in 2019 for failing to meet expectations in science, math, and elementary and middle school English. Massachusetts Department of Education, School and District Profiles: TEC Connections Academy Commonwealth Virtual School, <https://profiles.doe.mass.edu/general/general.aspx?topNavID=1&leftNavId=100&orgcode=39020900&orgtypecode=6> (accessed November 16, 2020). In 2018, both K12 Inc. and Connections Academy's Idaho schools incurred academic sanctions and saw their charter renewals conditioned on improved performance. Devin Bodkin, "Thirteen Public Charter Schools Incur Academic Sanctions," Idaho News, April 9, 2018, <https://www.idahoednews.org/news/idaho-virtual-schools-earn-low-marks>.

In 2020, the only online charter school in Chicago – the Chicago Virtual Charter School, opened in 2006 and operated by K12 Inc. until 2018 – was closed by Chicago Public Schools, due to a combination of poor academic performance and questionable financial practices. Hanna Leone, "This Chicago charter school is the state's first and only mostly online public school. Here's why it may be on the verge of closing." Chicago Tribune, February 4, 2020, <https://www.chicagotribune.com/news/breaking/ct-chicago-virtual-charter-school-cps-onlinelearning-20200204-ghegwerqpicbxlmwov6jmtbzw-m-story.html>; Yana Kunichoff, "Illinois state board reject please to save virtual school and another Chicago charter school," Chalkbeat, March 18, 2020, <https://chicago.chalkbeat.org/2020/3/18/21196047/illinois-state-board-rejects-pleas-to-save-virtualschool-and-another-chicago-charter-school>.

**9** Brian Fitzpatrick, Mark Berends, Joseph Ferrare and Joseph Waddington, "Virtual Illusion: Comparing Student Achievement and Teacher and Classroom Characteristics in Online and Brick-and-Mortar Charter Schools," Educational Researcher 49(3): 161-175, March 2020. <https://journals.sagepub.com/doi/abs/10.3102/0013189X20909814?journalCode=edra>.

**10** Alex Molnar, Virtual Schools in the U.S. 2019, National Education Policy Center, May 2019. <https://nepc.colorado.edu/publication/virtual-schools-annual-2019>.

**11** Cost Analysis: Cyber Charter Schools and School District Cyber Learning Programs." Pennsylvania Association of School Administrators (PASA), 2018. [www.pasanet.org/Files/SurveysAndReports/2018/CyberCharterRPT06-19-18.pdf](http://www.pasanet.org/Files/SurveysAndReports/2018/CyberCharterRPT06-19-18.pdf).

**12** Attorney General Kamala D. Harris Announces \$168.5 Million Settlement with K12 Inc., a For-Profit Online Charter School Operator, Office of the California Attorney General, July 8, 2016. <https://oag.ca.gov/news/press-releases/attorney-general-kamala-d-harris-announces-1685-millionsettlement-k12-inc>.

**13** <https://www.nytimes.com/2011/12/13/education/online-schools-score-better-on-wall-street-than-inclassrooms.html>.

**14** Virtual Public Education in California, In The Public Interest, 2015. <http://www.inthepublicinterest.org/virtual-public-education-in-california-a-study-of-studentperformance-management-practices-and-oversight-mechanisms-at-california-virtual-academies-a-k12-inc-managed-school-system>.