Cyber Charter Schools: Evolution, Issues, and Opportunities in Funding and Localized Oversight

by Kathleen Ellis

Cyber charter schools are a recent manifestation of the school-reform movement initiated by the publication of *A Nation At Risk* (National Commission on Excellence in Education 1983). In the 1980s, Effective School Research focused on improving student performance by changing school structures (Smith and Meier 1995). By the 1990s liberalization, or freedom from government control, coupled with the introduction of privatization policies, gained political popularity (Belfield and Levin 2002). Charter schools developed as a legislative compromise on the partisan school-voucher issue (Witte and Manna 2003). Charter school advocates claimed that charter schools could quickly and efficiently increase overall student achievement.

The accumulated evidence of the past twenty-five years suggests that U.S. public schools are performing above previously established norms (Garcia and Garcia 1996; Smith and Meier 1995). Despite measurable school improvement, school reform remains a contentious issue, often re-framed as a "right to school choice" (Belfield and Levin 2002; Boyd 2007). The federal No Child Left Behind act requires alternative schooling options for students enrolled in failing schools (Huerta, d'Entremont, and Gonzalez 2006). Once options extend beyond existing public school institutions, the politics of school choice begin to resemble privatization schemes (Mead 2003), yet promoters of choice contend that competitive markets impose financial discipline and improve organizational performance (Belfield 2000).

Public school systems, by contrast, are not designed to foster market competition. Demand for them depends upon population, mandatory attendance laws, and statutory requirements. Supply is influenced by democratic governance, bureaucracies at various levels, and local circumstance. Accordingly, price is dictated by contracts along with federal, state,

and local tax revenues; socioeconomic status, housing location, and the resulting local property taxes largely determine local public school funding (Belfield and Levin 2002). A public school district is therefore a monopolistic supplier of education to a local market unless private schools or other options, such as charter schools, are available.

Market models suggest that popular institutions turn a profit while unpopular institutions close (Garcia and Garcia 1996). In an open market consumers—students, parents, taxpayers, or future employers—exert pressure by purchasing services from a variety of sources. Consequently, providing patrons with charter school options, by reallocating funds to the consumers' school of choice (Hadderman 2002; Mead 2003), supports a quasi-free market system. Nonetheless, no evidence has emerged correlating school choice in general with improved student achievement (Abernathy 2005; Garcia and Garcia 1996).

Legislatures, operating without adequate input from educators (Garcia and Garcia 1996) and conspicuously without parental support (Snell 2002), have led the way in school-choice reform. Unable to garner majority support for voucher programs, lawmakers tried to create a framework for developing quasi-public charter schools (Mead 2003; Pennsylvania School Board Association [PSBA] 2001). Unlike voucher programs, but similar to magnet schools, charter schools are a subset of the public schools supported by public moneys (Witte and Manna 2003). Bringing competition and choice into the public school market (Lubienski 2003), charter schools tend to increase parental satisfaction by providing an exit option within the publicly funded system (Abernathy 2005). Legislators intended charters to be competitive devices encouraging reform (Garcia and Garcia 1996; Mead 2003) as well as experimental environments promoting research and development (Lubienski 2003). As a result, innovations that positively impact student performance could be deployed in the public school system at large (PSBA 2001).

Thirty-nine states authorize charter schools, which operate relatively free from government and local district oversight (Lubienski 2003). Charter schools are independent public school entities approved and operated by sponsoring local school districts (King 2006; PDE 2002) or other educational agencies. Each school is accountable to a chartering institution (Abernathy 2005). Liberated from excessive regulation (Garcia and Garcia 1996), charter schools can respond quickly and flexibly to specific customer demands (Sugarman 2002). Charter schools tailor programs with innovative curriculum, instructional strategies, and administrative structures (Garrison and Holifield 2005; Mead 2003; Lubienski 2003).

Cyber schools, also known as virtual schools, are noteworthy charter school developments that provide viable options for education (Allen and Marcucio 2005; Miron and Nelson 2000; Rice 2006). In Pennsylvania, cyber

charter schools evolved from a loophole in Pennsylvania's Charter School Law, Act 22 of 1997. The law's lack of clarity and the magnitude of funds drained from individual school districts led to litigation (Hardy 2001; PSBA 2001) that clarified cyber charter schools as legitimate educational institutions under Act 88 of 2002 (Huerta and Gonzalez 2004). Currently, cyber charter schools are approved at the state level by the Pennsylvania Department of Education (PDE 2002). Pennsylvania, a pioneer in cyber charter school development, is one of nineteen states that sanction cyber charter schools (Huerta and Gonzalez 2004). Cyber schools deliver 20 to 80 percent of their academic instruction over the Internet or via computer (Borja 2005; KPMG Consulting 2001; Long 2004). Students can work at their own pace, unconstrained by geographic boundaries and free to develop school schedules that best fit their individual situations. Parents are generally expected to monitor attendance and student work (Long 2004), and periodic student-teacher contact, via phone or e-mail or in person, is arranged (Watson and Ryan 2006).

Charter schools in general and cyber charter schools in particular are not "revenue neutral" to local school districts (PSBA 2001). Nationwide, hundreds of millions of dollars allocated for education are being routed into charter schools (Trotter 2001). Charter school enrollment totaled 55,630 among Pennsylvania's total student population of some eighteen million (PDE 2005) in the 2005-06 school year, and more than seven thousand attended cyber charter schools. At an average per-pupil fee of six thousand dollars each, forty-two million dollars of tuition was invoiced from Pennsylvania's local school districts in one school year for cyber charter schools. More than 60 percent of rerouted money is collected from local property tax revenue (Belfield and Levin 2002; Huerta and Gonzalez 2004).

Pennsylvania, like twenty-four other states, does not authorize public school funding for home-schooled students (Mead 2003). More than 60 percent of Pennsylvania's cyber school enrollees were formerly home schooled (Huerta, d'Entremont, and Gonzalez 2006). As parents opt for cyber schools to augment home-school resources, the funding burden shifts from the family to the taxpayers (PSBA 2001) without input from local districts or residents. Students can apply to any of eleven cyber schools authorized to operate in Pennsylvania. Upon acceptance, the cyber school notifies the local district of that child's enrollment (Huerta and Gonzalez 2004). Tuition is invoiced to each student's school district of residence at 80 percent of the total funds spent on per-student instruction in that district (Associated Press 2006; Sternberg 2006). Unlike the process in local school districts accountable to local taxpayers through an elected school board, this application-and-acceptance system empowers residents to reroute public funds to state-chartered cyber

schools on behalf of their children as they see fit. Thus, an unintended result of this unrestricted school choice has been diluted local political control (Abernathy 2005).

Cyber schools' rapidly increasing popularity (Murray 2006) demands the creation of new standards for educational funding and institutional governance (Long 2004). The recommendations presented in this paper focus on two areas: 1) funding formulas, and 2) empowering local school authorities to operate as management agents who maintain and control cyber school options to benefit their local clientele.

Funding Issues and Options

The current system encourages profiteering (Huerta and Gonzalez 2004) and mismanagement (Snell 2002) at public expense. Charter schools are nonprofit organizations that contract for curriculum, management, or operational functions with for-profit corporations (Huerta and Gonzalez 2004; KPMG Consulting 2001). Such relationships are not always transparent to charter school overseers or consumers (KPMG Consulting 2001).

The large sums of money that follow students make virtual-school enrollment an important issue in school finance (Hadderman 2002). Costs are at the core of the debate (Sternberg 2006). Per-pupil funding varies from district to district based upon community wealth (Sugarman 2002) and school budgets. In Pennsylvania school districts the average annual per-pupil expenditure is $8,333 (PDE 2002). Annual per-pupil investments in individual school districts range from a low of $5,000 to a high of $12,000 (Sternberg 2006). Public school advocates argue that per-pupil payments are independent of cyber charter schools' operational costs (PSBA 2001), so that tuition fees should not vary by district of residence. Cyber schools have limited physical facilities to maintain and employ fewer teachers, staff, and administrators than do traditional "brick-and-mortar" schools (Associated Press 2006). Cyber school supporters counter that each school must maintain offices, Internet connections, instructional supplies, and nursing staff (Sternberg 2006), as well as additional overhead costs associated with technology and technical support (Associated Press 2006). In addition, cyber schools do not qualify for grant moneys that are available to regular public schools (Sternberg 2006). Some states do have grant funds available exclusively for charter school start-ups (Miron and Nelson 2000).

Actual cyber school costs range from $650 to $5,200 per student, with the high end including amortized development and administrative fees (Borja 2005). Start-up costs average $1.6 million per school (Sternberg 2006). Charter schools, and cyber charter schools in particular, receive per-pupil funding below the amount allocated within traditional public

school districts (Watson and Ryan 2006). In categorical funding, however, per-pupil funding enables charter schools to amass disproportionately more given the total population served (Sugarman 2002) than the 25 percent that traditional school budgets allot to special education.

Several analysts have suggested remedies for funding anomalies.

- Charters granted by the state could be funded exclusively by the state using a uniform per-pupil calculation of state and federal allocations (Huerta, d'Entremont, and Gonzalez 2006). For cyber charter schools, tuition could be based upon actual per-pupil costs plus a rate calculated to cover administrative expenses, overhead, curriculum development, and the like. Here, a uniform chart of accounts would help outsiders better understand cost and revenue structures (KPMG Consulting 2001).
- Course completion rather than enrollment could become the basis for funding (Watson and Ryan 2006).
- Per-pupil funding for cyber charter schools could be based upon the lesser of a charter school's actual instructional cost or the school district's instructional cost per student (PSBA 2001). However, this formula would guarantee inadequate operational funding to any school forced to settle for the district per-pupil fee.

For districts evaluated by attendance, cyber school enrollment raises further issues: how does time on task at home compare to such time at school? Should a student be forced to remain on a traditional school's grounds in order to justify state and federal per-pupil attendance requirements? Per-pupil cyber school funding could reflect instructional costs based upon a sliding scale (Huerta, d'Entremont, and Gonzalez 2006), regardless of whether instruction takes place at school or at home. California has developed such a scale for funding home-school charters (Huerta and Gonzalez 2004). A recommended variation would base per-pupil funding upon two factors: 1) number of classes attended, up to a maximum of eight per year, and 2) percentage of the preceding four years spent attending traditional public schools. Developing four categories for each factor would produce per-pupil funding fees varying between 6.25 percent (for one to two classes with one year of previous public school attendance) and 100 percent (for seven to eight classes with full-time public school attendance for the prior three years) of instructional moneys budgeted by district. Special education services would be paid based upon actual services provided up to a maximum of the per-student categorical funds available. Completed charter school courses would count toward public school attendance. There are advantages to a pay scale versus a single-pay rate, although direct district oversight, as discussed below, is preferable.

Entities profiting from the current charter school and cyber charter school legislation are system stakeholders, and their interests tend to wield considerable political and economic power. Curriculum providers should be handled as textbook suppliers in the "regular" public school market. In this model, on-line course providers and full-service curriculum providers would compete for moneys within the existing public school system rather than against it.

Relying on cyber charter schools to develop reliable, honest costs per student and invoice an independent third party, while services to an unrelated ultimate user are provided, is a market system that includes consumer choice but fails to incorporate competitive pressures on price, product, and service quality. It is in these areas that existing public school management structures could play important and meaningful roles. Districts and elected school boards, acting on behalf of taxpayers and in the interests of their students, could offer effective and efficient educational programs that include cyber school service options and lead toward locally earned diplomas.

District Empowerment and Innovation Opportunities

Public school districts offer a variety of program options (Garcia and Garcia 1996) including a continuum of services for special education students: home-bound instruction, independent studies, dual enrollments,

and the like. Some schools have on-line courses available as summer school programs and acceleration options. Traditionally, student participation in on-line classes has been at local school board discretion, with school and district administrators overseeing student programs and progress (Watson and Ryan 2006). Local school authorities, supported largely by local funds, have managed and directed local educational programs within established geographic boundaries.

One argument to justify creating charter schools was that charter school innovations could eventually be applied to the existing public school system (Lubienski 2003; PSBA 2001). Most charter schools use traditional teaching and instructional methods; those that are innovative use innovations seemingly not transferrable to public schools (Lubienski 2003). Cyber school services are in demand by parents and students. It is in the public interest to incorporate a cyber school option into the existing school system while accountability, governance, and local funding are retained. School districts could develop their own curricula or shop course by course for the best curriculum providers from a state-approved list of suppliers. Districts, acting as purchasing agents, would exert competitive pressures on curriculum suppliers. Suppliers would find it advantageous to develop and deliver current, cost-effective educational solutions that would maintain a focus on state standards and student achievement at the lowest possible cost.

Local oversight of cyber school services might have averted the lawsuit that forced Pennsylvania's largest on-line charter school to close. A group of parents charged that the school had failed to provide adequate Internet access, textbooks, and special education services (Richard 2002). Act 88 of 2002 included a formal evaluation called the Pennsylvania System of Cyber Charter Review. Schools that successfully complete the review receive a five-year charter renewal (Watson and Ryan 2006). Districts could use those established parameters as a framework for their own internal program evaluations.

Parents who want their children to learn at home via computer would be offered district-approved course options that combine on-line classes with established independent-study programs. Students struggling in "regular" classroom environments could take on-line courses as an option during the regular school day, inside the traditional brick-and-mortar school building. Classes requiring such investments as physical equipment, science labs, and physical education would be offered at district-approved facilities where credits would accumulate toward locally awarded diplomas.

Home-computer access is another problem that needs improved planning and oversight. One cyber school company provides enrollees with a computer system designed to access course-related Web sites only

(Snell 2002). Limited site and time access could be monitored electronically, and a minimal physical computer terminal that restricts the student to school-related Internet sites should be used. Terminals that tap into existing school networks via modems may also be effective. Students or parents who have chosen home access on their own systems should not be compensated for hardware or software available in their homes for alternative use.

Discrepancies in enrollment statistics vary between district and charter school reports by as much as 50 percent (Trotter 2001). Making each school district accountable for its own charter school enrollments would ensure accurate attendance statistics. As districts purchase or license the use of on-line curricula or classes, teachers supervising students would be district rather than corporate employees, and issues regarding cross-state teacher certification (Watson and Ryan 2006) would become irrelevant. For state and federal reimbursement, enrollments could combine in-seat time for traditional classes and course-completion rates for nontraditional classes; all students funded by local taxes would be included in the state and federal count based on the same quarter-day proportion previously recommended.

Conclusion

In education, money matters. The idea that existing public school systems can best be improved by diverting money from them is counterintuitive. School systems need to maximize the utility of the funds available; diverting public school money from servicing the majority of the public school population is not in a system's or its students' best interest.

Cyber charter schools, and charter schools in general, are policy options that impact different interest groups differently. Policy-feedback models assert that existing policies influence future policies; privatized markets beget privatized political choices (Abernathy 2005). Viable charter schools will create demand for more charter schools. As more and more stakeholders establish themselves in the quasi-market of public schools, those parties become more interested in market maintenance than in the reform and health of the public schools. Competitive markets tend to homogenize over time; innovation and variation decrease; and eventually choices fade away (Lubienski 2003).

School-choice advocates tend to ignore documented school-choice results. Wealthy families benefit more from school-choice programs than do economically disadvantaged families (Belfield and Levin 2002). Academic achievement remains strongly correlated with socioeconomic status (Lubienski 2003), even in areas where school-choice options exist. De facto segregation, one result of voluntary enrollments (Belfield and Levin 2002), has increased inequality and inequity in many localities. If

charter school innovation results from removing excessive government regulation, freedom from those same legislative constraints would best serve the existing public school system (Garcia and Garcia 1996).

Cyber schools blur established boundaries between public schools and home schools (Long 2004). The popularity of cyber school learning will continue to impact home schooling, particularly if home-school students exercise the opportunity to move back and forth between publicly funded cyber schools and minimally regulated home schools. Public money is rarely invested without strings attached (Mead 2003); as public-funding requirements have increased, so have the number of state and federal mandates on the public education system. It is possible that non-classroom-based models simply push the definition of traditional public schooling too far (Huerta and Gonzalez 2004).

Cyber school advocates emphasize the importance of teaching twenty-first-century skills to twenty-first-century students (Watson and Ryan 2006). Such skills as e-mail access, Internet research, and on-line communication can be taught within the traditional public system as easily as anywhere else. Democratic values and principles are the cornerstones of public school programs (Smith and Meier 1995); perhaps it is those ideals that are best taught inside a traditional public school system.

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