



June 22, 2020

Joint Interim Committee On The First Special Session of 2020

RE: LC 76 – Virtual School Cap Expansion

Dear Committee Members and Co-Chairs,

We are writing with great concern about a proposed change to Oregon law regarding the allowable outflow of students to full-time online programs. In 2011, lawmakers put a reasonable limit on the percentage of students who may transfer from their resident districts to **virtual schools**. That **3 percent cap** was set at a time when approximately 1 percent of students were actually choosing the online-only option. The law balanced the fiscal concerns of districts with the effort to accommodate some students' desire to pursue this more limited educational option.

Now, however, it has been suggested that the 3 percent cap ought to be lifted – by as little as a .5 increase to as much as an 8 percent rise. There are already 22 online programs in the state, vying for students, operating in nearly all cases by contracting with for-profit education management organizations such as K-12, Inc and Connections Academy. As the pandemic has forced more distance education solutions, these businesses are seeing opportunity. Meanwhile, **the Department of Education and a few ESDs already experienced in the delivery of high-quality public online models are working to provide a better, hybrid program to students in this challenging pandemic-caused time. We feel that this is a better approach.**

As you will see by reviewing the attached chart, the **educational performance of online programs is deeply concerning**. An audit in December 2017 by then-Secretary of State Dennis Richardson was blunt in its criticism of these schools. You can see from the chart or the State Report Cards (<https://www.ode.state.or.us/data/reportcard/reports.aspx>) that these programs do not serve a demographically diverse student body, fail to have robust English learner programs, and have dismal educational outcomes (one graduated just 33 percent of its seniors last year). We believe that **equity issues abound**: in access, program quality, and services to enrollees to say nothing of logistics for students whose parents are unable to provide in-home oversight and assistance because of language barriers (materials are exclusively in English) and the need to work outside the home.

Additionally, as Oregon slides deeper into recession and the revenue shortfall that accompanies it, our schools are **struggling to maintain our state investments in the State School Fund and Student Success Act. The reopening plans currently being drawn in accordance with state guidance will add a cost burden that could exceed \$250 million**. Now is not the time to reduce the funding that districts need to operate safely and well on behalf of their students. Even a **half-percent (.5) increase would redirect \$55.5 million out of district budgets**. For the students who remain in their resident districts, those funding losses will translate to program losses, larger class sizes, and setbacks on all the progress we have made and have worked with our communities to move forward. This too is an equity issue.

Financial impacts will grow in the successive years because of the funding formula's allowance for **double-funding** of students transferring out of programs – in the online world, a 10-click, 10-minute proposition. The "extended ADMw" feature of the formula gives a district with declining enrollment the opportunity to claim the greater of two years of operation. If, after the pandemic is largely over, the students who've enrolled under the lifted cap return to their brick-and-mortar schools, the state will have to pay for them one more year in the virtual program while also funding their year in their resident district. At 8 percent, for instance, **the ODE calculated the first-year loss at \$372 million and the subsequent, extended ADMw loss at \$500 million.**

We have heard that the intent of the law change is **to limit the enrollment expansion to "non-profits only"**, but in Oregon, that distinction **is not helpful**. Under our charter school law, EVERY virtual charter school that operates must have a non-profit board, which is the actual chartering entity that negotiates terms with the school district sponsor. It is **the non-profit board that then contracts with for-profit providers**, who supply the curriculum, platform, and even the teachers for their virtual schools. All but a tiny sponsor fee goes straight to these corporations. The only programs that do not have non-profit boards are those operated internally by some school districts themselves, such as Hillsboro Online Academy. Perversely, by limiting the cap escalator to "non-profits", for-profit vendors would still get the money but the Hillsboro School Districts of the world would not!

For all these reasons, we ask that you leave Oregon's virtual school enrollment cap where it is. Our public school students should not be asked to take more cuts than absolutely necessary, and we see no sound reason to lift the limit. **Please reject LC 76.**