

House Education Committee

SB 619 Hearing

Testimony: Karen McPhee, Superintendent, Ottawa Area ISD

Chairman McMillan, members of the Committee, thank you for this opportunity to provide some “food for thought” on Senate Bill 619.

First, let me assure you that I am not opposed to virtual or on-line learning. When the Ottawa Area ISD opened our charter high school for highly disenfranchised youth six years ago, on-line academic remediation was a core component of our delivery. When paired with our face to face teacher facilitated instruction, the on-line courses allowed our students to quickly make up some of their lost educational ground.

Second, let me be transparent here...I am not a traditional educator. I came out of the private sector to take a non-instructional job at our ISD several years ago. I’m not a certified teacher...all of which means I have a tendency to see public education’s challenges a little differently than my colleagues.

As you know, there are two cyber schools operating in Michigan, one of which, Michigan Virtual Charter Academy, operates out of Kent County. I didn’t have much interaction with this academy until recently when Kent ISD and Ottawa Area ISD combined our pupil accounting offices to improve quality and reduce costs. Pupil auditors, as you know, audit and verify student counts in all public schools, assuring that schools do not receive any more foundation allowance than their enrollment warrants. I believe we share one of the most highly respected auditors in the state...Kathy Breen.

The other day, I was talking with Kathy who happened to mention the difficulties in auditing Michigan Virtual Charter Academy. Auditors, you see, don’t just accept a school’s word on how many students are in attendance on count day...they need proof. And as taxpayers, we want them to get the proof. The challenge in auditing Michigan Virtual was while teachers sign a print-out of log-ins, there is no verifiable evidence of student attendance, absences are not recorded, and many parents do not complete or submit their attendance paperwork on count day. For an auditor, this lack of systemic record-keeping poses a distinct problem.

The conversation with Kathy had me wondering about Michigan Virtual so I did some research. First, I was surprised to find out that Michigan Virtual was a K12, Inc. cyber school. K12, as you may or may not know, is partially owned by former junk bond king and convicted felon Michael Milken. Milken was indicted on 98 counts of racketeering and securities fraud in 1989 as the result of an insider trading investigation. Milken was sentenced to ten years in prison and permanently barred from the securities industry.

Among other things upon his release from prison, Milken invested in K12, now the largest cyber school in the country...last year reporting a \$21.5 million profit....all tax dollars generated by taxpayers in 27 states....who arguably might believe their tax dollars are paying for public services, not a billionaire’s bottom line.

Now you might think that profit margin is justifiable for a quality product...so let's look at Michigan Virtual's first year in business...

As reported in their Annual Education Report to parents...they did not make AYP (Adequate Yearly Progress) because they did not test enough of their students. For the students they did test on the MEAP, using the State's new cut scores, they underperform the state average on 10 of the 17 tests...particularly in math and science. Again, according to their own Annual Education Report, they didn't dually enroll a single student and despite having 15 AP courses available, they did not enroll a single student in an AP course. And while K12 Inc. has a tendency to downgrade the relevancy of state standardized tests (imagine that!) they hang their hat on "annual growth". Again, according to their own Annual Report, almost 40% of their students grades 3 – 8 failed to make a year's growth in math and 37% did not make a year's growth in reading. And in terms of fiscal accountability, I took a look at their 2011-12 budget, a copy of which is required to be posted on line. It was a little confusing because the 2010-2011 amended budget numbers and the 2011-2012 proposed budget numbers have been transposed, an error apparently not caught by the board secretary when she certified the amounts. And in an auditor's letter to the board on internal controls, they are notified that they are out of compliance with the state-required chart of accounts.

But you might say...hey...it was their first year of operation...let's cut them some slack. OK...let's look at K12's track record in the state where they've been doing business the longest...Pennsylvania...under the name Agora Cyber Charter School. Pennsylvania's auditor general issued a report in October that Pennsylvania's charter schools may be receiving too much tax money, with some experts saying on-line programs run by traditional public schools cost about one-third of what K12 charges.

And instructional quality...Agora's students underperform Pennsylvania's state average by 20 to 30 percentage points in reading and math. And a new term has emerged...virtual truants! Almost a third of the 7,700 students Agora enrolled last year...and Pennsylvania paid for...dropped out. And what about students with special needs...like a learning disability or a speech problem? Agora...K-12, Inc....charges \$22,000 per year for each child who needs one hour a week for speech therapy, which the child receives via a headset and a microphone connected to a computer. \$22,000 per child. One hour of speech therapy a week in a traditional public school costs about \$1,500 a year. That's a 1,500% mark-up...guess that explains the profits.

When Governor Snyder said Any Time, Any Place, Any Way, Any Pace, I don't think he meant at any cost. Without a doubt on-line learning in both virtual and blended environments will play a significant role in education. But the current experiment is much too young, much too volatile and undocumented to simply pull out all the stoppers. Without accountability, without transparency, Michigan's taxpayers and...more importantly...Michigan's students could get short circuited.

Thank you.