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## AUTHOR REPLY TO K<sup>12</sup> INC. RESPONSE

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In advance of sending out our general announcement of this new report, NEPC sent a copy to K12 Inc. and invited them to send us a response to be posted on this website along with the main report. Although we did not receive a response, “K12 Inc. Public Affairs” did prepare a document that was posted on their website that had fourteen bullet points, currently available on the K12 Inc website at [http://k12choice.com/images/stories/K12\\_Response\\_to\\_NEPC\\_1.pdf](http://k12choice.com/images/stories/K12_Response_to_NEPC_1.pdf).

Below, we provide a very brief response to these points. Our original report’s methods section provides a much more complete discussion; most of K12 Inc.’s concerns are answered or explained in the report itself.

- *K12 Inc.’s First Bullet: Objection to the report’s use of the term “falling behind.”* The press release includes a quote from co-author Gary Miron: ““Our findings are clear... Children who enroll in a K12 Inc. cyberschool, who receive full-time instruction in front of a computer instead of in a classroom with a live teacher and other students, are more likely to fall behind in reading and math.” This statement is based on the report’s literature review, supported by the new study’s results. The available evidence thus far is indeed more convincing about K12 Inc.’s poor performance in terms of students’ absolute outcomes – as compared with growth measures. That is, K12 is arguing that while its students are behind, they start that way. While the “falling behind” statement is in the press release (not in the body of the report, as K12 states in its “Response,” the report does summarize research by CREDO that tracked individual students in virtual schools and found students were falling behind matched peers in district schools. Further, in some states (e.g., Texas) the school performance rating is based on an index that takes into account student growth. Several state-level evaluations and audits are also

included in the report. Conclusion: while we do think the evidence supports the “falling behind” statement, this is an area where we would like to see a lot more data made available.

- *K12 Inc.’s Second through Fourth Bullets: Pointing to K12 Inc.’s data concerning results of a “Scantron Performance Series exam.”* It is common for school districts and individual schools to develop their own assessments or pay to use existing assessments. Although the K12 Inc. Scantron data haven’t been made available, we would be happy to examine them. One concern we have involves ensuring a strong, valid comparison group, since the students take the tests in fall and spring. If compared with a group with tests administered over consecutive falls or springs, then the latter group would be exposed to summer learning loss. Another concern involves attrition; we know that many K12 Inc. students who start in the fall are no longer attending in the spring. Finally, while additional assessments administered by a school are helpful for formative (and sometimes even summative) purposes, in the current accountability context the results from such an assessment cannot replace a state’s common assessments. But even with these caveats, we expect that these data would be useful, and we welcome an opportunity to analyze them.

- *K12 Inc.’s Fifth Bullet: Pointing out new initiatives undertaken by K12 Inc. to support struggling students.* We understand this bullet to be providing information to reporters and other interested readers, rather than responding to a claim in the report. We do note, however, some tension between these initiatives and K12 Inc.’s statement to investors in its 3<sup>rd</sup> quarterly report in May 2012, announcing that it seeks to “increase profitability in fiscal year 2013” by implementing as much as \$20 million in costs savings. We hope these savings can be found in places that do not further limit learning opportunities for K12’s students. A theme that emerged in our report is the need for K12 Inc. to increase enrollments and limit spending while still serving its students. We recognize this challenge, and our message to policy makers as well as K12 Inc. stresses the importance of clear evidence that the school’s students are indeed being well served.

- *K12 Inc.’s Sixth and Seventh Bullets: Contesting spending evidence from the report.* There’s a lot here. The report includes separate sections that attempt to tease out areas where K12 Inc. is able to spend less and other areas where the company must spend more. As we note, K12 Inc. receives less revenue on average and this is largely because their schools offer a more limited range of programs and services. In the report’s discussion of cost advantages and disadvantages, it does in fact take note of the costs that are unique to full-time virtual schools such as the costs for computers, internet service for students work from home. The findings from the federal finance dataset do reveal that K12 spends some of its resources on facilities, transportation, and student support services. Nevertheless, the amount it spends on such categories is a fraction of what brick-and-mortar schools spend. Our main area of disagreement with K12 Inc’s Response concerns its claim that it is a vendor and is not involved in decisions about spending on behalf of the charter or district schools it operates. This is not true. We have collected a sample of the K12 Inc. management contracts and have digitalized these so that they can be shared with journalists and researchers that wish to learn more about K12 Inc.’s responsibilities for the schools it operates as well as its management fees.

- *K12 Inc.'s Eighth Bullet: Attempting to minimize the importance and strength of the CREDO study.* The most rigorous study to date on K12 Inc. was, in fact, conducted by CREDO at Stanford University. K12 Inc. claims that since CREDO did not name the eight Pennsylvania virtual schools, it is not possible to parse out the performance of its schools from other virtual charter schools in Pennsylvania. What K12 Inc., forgets to mention, however, is that all eight virtual charter schools that CREDO studied in Pennsylvania exhibited weak performance, with student losing ground compared to their matched peers in district schools.
- *K12 Inc.'s Ninth Bullet: Concerning the weakness of AYP measures.* This is an area of agreement. We have consistently pointed out that AYP measures, by themselves, provide only weak evidence of how well a school is doing. K12 Inc.'s Response, however, ignores the fact that across all school performance measures presented in the report, the results indicate weak performance.
- *K12 Inc.'s Tenth Bullet: Defending the company's teachers.* Although our report did not malign K12 Inc.'s teachers, it did point out that spending on teachers was comparably low. While we addressed class size concerns, which have also been raised by others in greater detail, our report's focus in this regard is on spending patterns. The opinions of K12 Inc. teachers were included in a lengthy story on the company's schools published by the *New York Times* in December 2012. For those interested in more detailed statements, the class action complaint filed against K12 Inc. (*Hoppaugh v. K12 Inc.*, filed in the Eastern District of Virginia), includes statements from former teachers, administrators, and recruitment staff of K12 Inc. .
- *K12 Inc.'s Eleventh Bullet: Concerning student attrition.* This does not appear to be an area of disagreement. Our report includes a brief discussion of reasons for the high attrition rates, which the company appears to attribute to the nature of its incoming students (those looking for a temporary outpost, plus those with a history of academic struggles). We think there are two main issues raised here. First, does K12 Inc.'s model (and the model for cyberschools in general) succeed with students that have a history of academic struggles? Or does the model require students who are self-motivated and/or who have parents who will essentially serve as at-home teachers (or at least monitors)? Second, is K12 Inc.'s business and advertising model, aimed at expanding enrollment, reaching out to a group of students who are likely to benefit from its services? Neither of these questions can be answered by our report, but we do think the report helps to frame those questions. Our report does recommend that K12 Inc. and state policies stop or slow growth until the company can fix apparent problems in adequately serving the current students it enrolls.
- *K12 Inc.'s Twelfth Bullet: Concerning the company's internal "customer satisfaction surveys."* We do not address this issue in our report. We would, however, be interested in seeing the response rates and in understanding how the company has addressed issues of attrition (i.e., making sure parents/students who stopped attending are properly included among the respondents). In fact, the attrition itself is presumably problematic evidence in this regard.

While satisfaction rates are indeed an important measure within a system of market accountability, so too are student attrition rates.

- *K12 Inc.'s Thirteenth Bullet: Concerning students with disabilities.* It is true that funding arrangements for children with disabilities vary from state to state. Nevertheless, in most states charter schools are classified as LEAs (local education agencies) and receive and spend money on special education. We compare K12 Inc. to brick-and-mortar *charter schools* in the same states. Such charter schools will generally have spending obligations for special education that are similar to K12 Inc. schools. Brick-and-mortar charter schools in these states report a lower proportion of students with disabilities, as compared to K12 schools. But these brick-and-mortar charters spend more per pupil on special education than K12 Inc. does. We do not understand or think reasonable K12 Inc.'s claims that excess costs for special education are not reported as special education expenditures.

- *K12 Inc.'s Fourteenth Bullet: Concerning inclusion and exclusion of the company's schools and concerning data on free- and reduced-price lunch.* The list of K12 Inc.-operated schools used in this study was derived from the annual "Profiles of EMOs" report, which is also published by the NEPC. The 13th annual Profiles Report was released in January 2012. When this report is prepared each year, data are collected from multiple sources, including from the websites and other releases of the EMOs themselves. After data are compiled for the 300 for-profit or nonprofit EMOs that operate 1,700 schools in the country, we share this information with the EMOs by fax and e-mail to give them an opportunity to confirm and correct the information. K12 Inc. has generally been good about providing us with responses, updating and correcting the information we collect from other sources.

The three schools mentioned in the K12 Inc. response as being supplied but not operated by the company concern a relatively small number of students, but we want to ensure our data are correct. We are therefore seeking documentation of any changes in status. The one school mentioned in the K12 Inc. response as being operated by the company but not included in our report (the Georgia Cyber Academy), is invisible in the available datasets of the National Center for Education Statistics and the Georgia Department of Education. Again, however, it is important to us to correct and update our data, and we encourage K12 to send us information and documentation.

The K12 Inc. Response also includes a confusing element regarding data about the enrollment of students eligible for free- or reduced-price lunch (a proxy for enrolling students from families in poverty). For the financial analyses presented in the report, we were necessarily limited to seven K12 Inc. schools in five states since these were the only K12 schools that had data in the federal school district finance dataset. The most recent year for which these data are available is 2008-09. For demographic comparison, however, we were able to include a much wider set of states where K12 Inc. operates (typically more than 20 states for demographic and school performance indicators). Our finding (pg. 12) was that, "the proportion of students qualifying for free or reduced-price lunch (FRL) in K12 schools is 7.3 percentage points lower than the state mean (39.9% for K12 schools compared with 47.2% for states)."

The K12 Inc. response is that in the five states that were the subject of the financial analysis they "find that the combined average percentage of students in the K12--managed

schools who are eligible for Free and Reduced Lunch (FRL) is 58%, compared to the average of 45% among all schools in those states, and compared to the national average of 45.4%.” We do not know why these K12 Inc. schools would enroll so many more high-poverty students than the larger sample of K12 Inc. schools; we simply note that our report was using the broader sample.

The more important item in the Response is a claim that the FRL numbers we used for two schools were incorrect. In the case of the Nevada school, it appears that K12 did not report their corrected FRL count to the state education agency, where we obtained the information used in the report. In the case of the Pennsylvania school, we used the FRL rate from the previous year, since the state had not yet released data for 2010-11 at the time when we compiled our data. We welcome documentation of any updates or corrections.