

New Mexico Policymakers Should Expand, Not Limit Online/For Profit Education:

A Report Card and Recommendations on Digital Learning in New Mexico

**By Paul J. Gessing
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Introduction

“Back to School” has arrived for many New Mexico students. Along with the start of the 2013-2014 school Year, the new school year will see the opening of New Mexico’s 2nd “virtual” school, New Mexico Connections Academy. This paper discusses why policymakers should embrace not only the enhanced use of technology in education, but should encourage the entry of for-profit companies into the education marketplace.

Lastly, the paper provides comparison data and reform ideas from the Digital Learning Now annual report card.

Disruptive Innovation: A Free Market Example

Disruptive innovation is not often embraced by mature industries. The typical path is for dominant players to begin losing market share and eventually die from failure to adapt.¹

The American computing industry is a primary example of this. Nowhere have we seen as much non-stop innovation as in the field of computing technology. The story of Kodak is merely one recent, well-publicized example of a company that was once dominant in its field – film photography – that was unable or unwilling to shift its business model to compete on a new technological playing field – digital photography.²

The good news, at least for consumers, is that they benefit from innovation in a free marketplace. Digital cameras allowed consumers to avoid the use of expensive film which limited the number of pictures that could be taken and delayed the review process (in order to develop the images). Now, average people can take unlimited, high-quality photographs with a digital camera or even a smart phone.

These innovations ultimately killed Kodak which had built a business model that relied on physical film. Nonetheless, Kodak, which at one time dominated the film market with a 90 percent share of the market, was nonetheless not a monopoly.³ Better still, Kodak was not

¹ Clayton Christensen, “Disruptive Innovation,” <http://www.claytonchristensen.com/key-concepts/>.

² Sam Gustin, “In Kodak Bankruptcy, Another Casualty of the Digital Revolution,” *Time Magazine*, January 20, 2012, <http://business.time.com/2012/01/20/in-kodak-bankruptcy-another-casualty-of-the-digital-revolution/>.

³ *Ibid.*

protected by government and did not have the ability to directly tap the financial resources of its customers. Innovators could and did enter the marketplace relatively free of artificial obstacles and gobble up market share with a superior product.

Disruptive innovation in digital photo technology has transformed the photography business in ways that are advantageous to the consumer. So, what does this have to do with education? How can digital technologies transform education to empower parents, students, and other consumers of educational services in the education marketplace?

Education: Not a Free Market

Unfortunately for those who would benefit most from innovations in education (the students), governments and government-run schools are *not* operated in anything remotely similar to a “free” market. Political considerations and the ability of existing interest groups to sway public policy make it much harder for governments to adapt to dramatic changes in the marketplace such as new technology. In the current education playing field, those interest groups include unions, associations of school boards, existing schools/districts and their leaders, teachers, and elected officials.

The fact that one finds themselves as part of one of these groups does not make them a bad person or necessarily a hindrance to innovation. It does mean that various interest groups have the potential to block innovation if they or their leaders decide it is contrary to the group’s interests. Innovations that may help children often conflict with the interests of the various interest groups involved in education policy.

It is also worth noting that governments and their schools do not face the same penalties for failing to innovate. Kodak is just one of a litany of companies that has gone bankrupt due to an inability to adapt to and embrace technological change. As taxpayer-financed monopolies, government schools do not face the same pressure to keep up with technological change.

Two “virtual” charter schools have been set up in New Mexico. One, New Mexico Virtual Academy in Farmington partnered with K12 Inc. got started in the fall of 2012, while the other, New Mexico Connections Academy was approved on appeal by the NM Education Secretary Designate and opens this Fall, 2013. This has spurred a backlash from opponents of digital learning and anything that might upset the proverbial apple cart of K-12 education in New Mexico.

Several bills were introduced during the 2013 legislative session in New Mexico that either directly or indirectly attempted to halt or slow the spread of digital learning in the state, especially in the form of completely-virtual charters.

One bill would have re-empowered the Public Education Commission, a body that had proven hostile to many charters including virtual schools. This legislation seemed to be a direct response to Skandera’s action in approving a virtual school on appeal.

Separate legislation, HB 460, introduced by Rep. Mimi Stewart (D-Albuquerque) would have banned for-profit companies from administering the educational program at any public school.

This was clearly targeted at so-called for-profit EMO's (Education Management Organizations) despite the fact that for-profit businesses operate school buses, sell textbooks, and provide software used in classrooms. Stewart also expressed concern that such for-profits were "taking money out of New Mexico."⁴

Despite passing through New Mexico's Democratically-controlled Legislature, both bills were vetoed by Republican Gov. Susana Martinez.

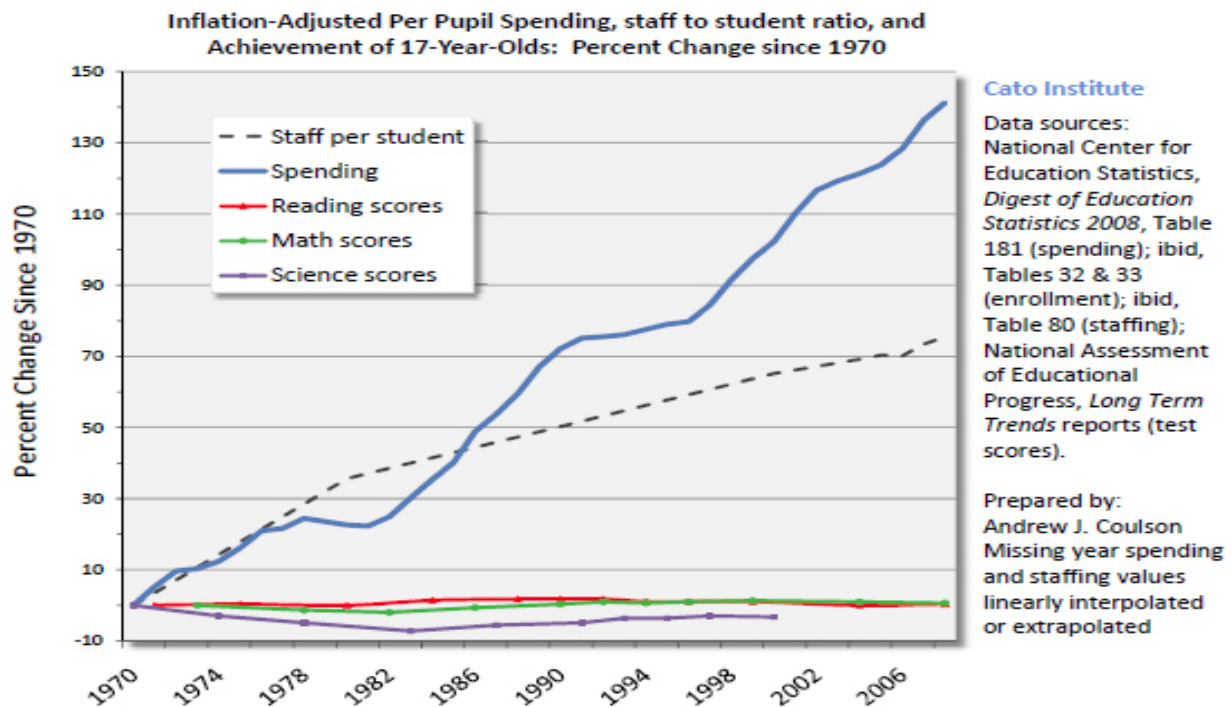
Potential Contribution of For-Profit Sector

Martinez was wise to veto each of these bills, but the fact that they were introduced in the first place shows a great deal of concern and misinformation among New Mexico policymakers over the issues of virtual education provided by for-profit companies.

It is worth looking at both issues separately, but this section will focus on the potential benefits of for-profit involvement in education delivery.

And, there is no doubt that much of the American education system is "socialized" in the classical sense of the term "government ownership of the means of production." That is, if we assume that the schools are the "means of production" and the education or the educated child is meant to be the "product." While this paper is not meant to critique the nature of the American K-12 education model, there is no doubt that, as the chart below shows, taxpayers are spending a great deal more for results that are little better than in decades past.

Chart 1.



⁴ Albuquerque Interfaith press conference with Rep Stewart, <http://www.youtube.com/watch?v=nnRUoqNEHOA>.

A shift to a completely “free market” education system in which most parents contract with the educational provider of their choice for the education of their child seems unlikely at this time or for the foreseeable future, there is no doubt that profit-seeking enterprises can have a significant, positive role in improving education outcomes in the United States.

Already, for-profit enterprises provide transportation services, computer software and equipment, and a wide variety of other learning tools including textbooks. Of course, while not perceiving themselves as “for-profit enterprises,” teachers and administrators are paid for their work and have the opportunity to move from one employer to the next for better pay and benefits. These workers also have the ability to work outside the educational system entirely. The point is that the profit motive already plays a significant role in American education.

The cognitive dissonance that exists among many educators regarding the profit motive is shared by a healthy majority of Americans. According to Gallup, “more than 75% of Americans are comfortable with for-profit provision of transportation and facilities. Barely a third are fine with for-profits running schools.”⁵

As Frederick Hess of the American Enterprise Institute notes:

The watchful eye of investors can lend for-profits a healthy discipline. The prospect of returns means that promising profit-seeking ventures can offer employees lucrative long-term opportunities and can tap vast sums through the private-equity markets. For-profits have a relentless, selfish imperative to seek out and adopt cost efficiencies.

Nonprofits, by contrast, have little incentive to become “early adopters” of cost-saving tools and techniques such as online instruction. Such shifts upset relationships with vendors and routines for staff. Even enormously successful nonprofits such as Teach for America and the KIPP charter-school network tend to grow far more slowly and show much less interest in squeezing their cost structures than comparable for-profit ventures.⁶

In other words, the profit imperative can lead directly to innovation. So, rather than eschewing the involvement of the for-profit sector in education, New Mexico policymakers should encourage the investment and innovation in education that the for-profit sector can generate. In a recent *Forbes* article, the author states that quality is what we should focus on and not the tax status of an organization:

There are plenty of for-profits that do great things in education with public funds, and there are several that don't; but the same is true with both non-profit and governmental organizations. Stating whether an organization is for-profit or non-profit says little about whether it is doing good things for students.....Instead we should be exploring policies

⁵ Frederick M. Hess, “The Irrational Fear of For-Profit Education,” *Wall Street Journal*, December 17, 2012, <http://www.aei.org/article/education/private-enterprise/the-irrational-fear-of-for-profit-education/>.

⁶ *Ibid.*

that focus on student outcomes and create a climate that rewards good actors and punishes the bad—regardless of tax status. It also means that for-profits need to be a part of the equation so that the public can leverage their unique strengths.⁷

Disruptive Technology and Education

With widespread usage of the Internet nearing its 20th anniversary, the Internet and ever-increasing computing technology in ever-smaller devices has disrupted dozens of previously-entrenched markets while creating dozens more.⁸ According to McKinsey, the Internet itself accounts for an astonishing 21 percent of the GDP's of industrialized nations around the globe.⁹

For a variety of reasons, the Internet's impact on the delivery of educational services has been relatively slow. As a college student in the mid-1990s, I can vouch that the Internet did alter certain aspects of my education, but its primary benefit at the time (which still holds true today) is in the ease of research. The Internet has made it much easier and faster for students to look up information and research various topics.

And, while the Internet has also been used in educational institutions to improve long-distance communication and eliminate geographical barriers, it would be hard to argue to date that the Internet has truly transformed our educational delivery system. Simply providing laptops for students and teachers to use in a traditional, classroom environment also does not fully leverage technology in education in any disruptive way.

Truly transformative models could include completely digital learning environments (aka “virtual education” or “blended” models which attempt to leverage the best aspects of in-person education through technological innovations. One popular “blended” style involves “flipping the classroom”¹⁰, which means that “what used to be class work (the “lecture”) is done at home via teacher-created videos and what used to be homework (assigned problems) is now done in class.

In this and other “high-tech” education models, students will benefit from schools' ability to leverage truly excellent teachers by exposing them to larger numbers of students.

The virtual and blended methods of learning may not be right for all students, but they are certainly attractive to significant numbers of students and their families, are increasing in popularity, and have the potential to truly transform the delivery of education in the United States.

- Khan Academy, a free, online, video learning site, has delivered 240 million lessons¹¹,

⁷ Michael Horn, For-Profits: Aid or Vice in Public Education?, *Forbes*, August 1, 2013, <http://www.forbes.com/sites/michaelhorn/2013/08/01/for-profits-aid-or-vice-in-public-education/>

⁸ http://en.wikipedia.org/wiki/Browser_wars.

⁹ James Manyika, Charles Roxburgh, “The Great Transformer: The Impact of the Internet on Economic Growth and Prosperity,” McKinsey & Company, October 2011, http://www.mckinsey.com/insights/high_tech_telecoms_internet/the_great_transformer.

¹⁰ The Flipped Classroom, <http://www.flippedclassroom.com/>.

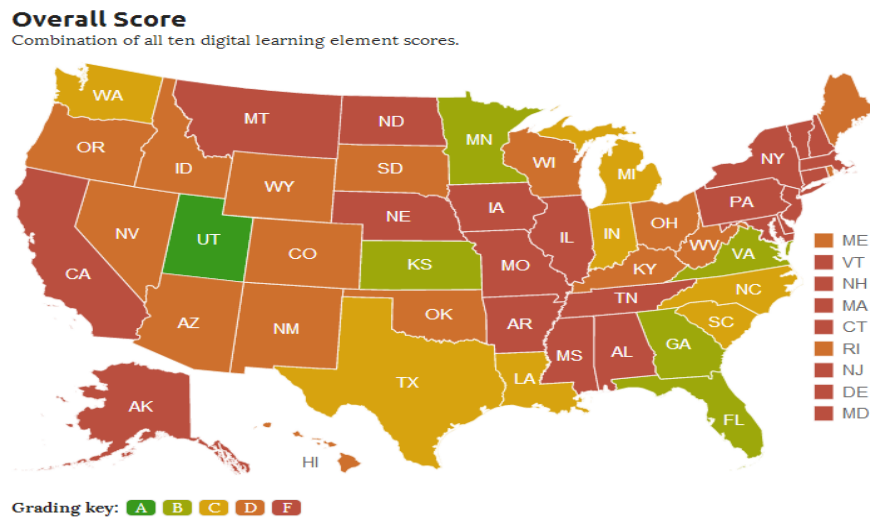
¹¹ The Khan Academy, http://en.wikipedia.org/wiki/Khan_Academy.

- Connections Academy, a virtual learning provider, has set up schools in more than 20 states serving 45,000 students annually including full time virtual and blended schools;¹²
- New Mexico’s largest school district (a district often-criticized for its unwillingness to adapt to change), Albuquerque Public Schools, has recently embraced digital learning with pledges to increase and improve upon digital options available to students in the district.¹³

Digital Learning Report Card

This section of our report deals with the 2012 results of a report card on digital learning put together by the organization “Digital Learning Now.”¹⁴ The report card ranks all 50 states on 10 elements of highly-effective digital learning. Each state is assigned an overall letter grade based on its cumulative score on those 10 elements.

Chart 2. Overall Score on Digital Learning 2012 Mapped



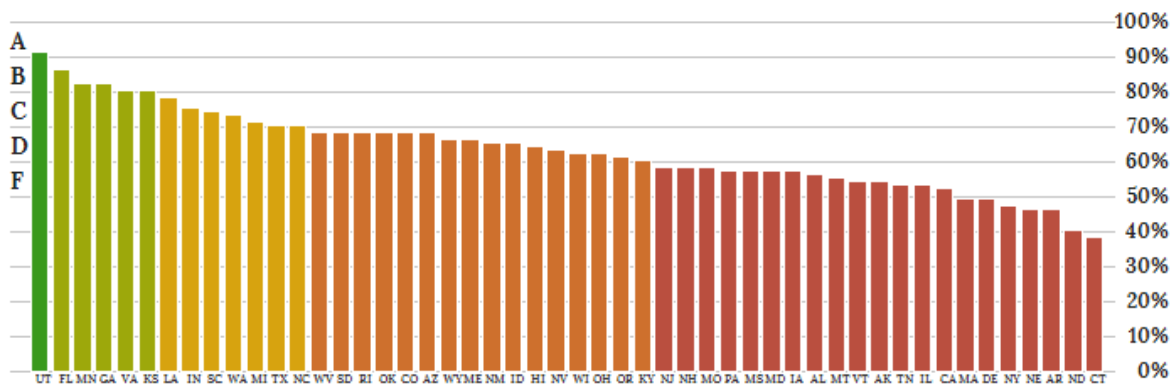
Overall Score: According to the report, New Mexico’s overall score on the 2012 edition of the Digital Learning Now report card, the Land of Enchantment’s score is “**D**.” The chart above shows how our state compares to the rest of the nation. The chart below is a bar chart representation which also illustrates where various states rank within the various letter grade categories. Despite scoring a relatively low letter grade, New Mexico performs better than more than 25 states and actually ranks 22nd in the report overall.

¹² http://utahpulse.com/view/full_story/23315332/article-Growth-of-K-12-online-education--Infographic-?instance=aracontent

¹³ Donald Moya, “Digital Learning Way of the Future,” *Albuquerque Journal*, April 14, 2013, <http://www.abqjournal.com/main/2013/04/14/opinion/digital-learning-way-of-the-future.html>.

¹⁴ <http://www.digitallearningnow.com/reportcard/#grade0>.

Chart 3. Overall Score by Rank



So, New Mexico is by no means “anti-digital.” There is certainly room for improvement above the score of “D,” but relative to other states, our children have decent opportunities in the digital environment.

Following are the ten specific areas in which the aforementioned rankings were compiled along with details on New Mexico’s score in each area.

1) Student Eligibility

All Students are Digital Learners: all students must be provided access to online courses throughout their K-12 experience and all students must complete at least one online course to earn a high school diploma

New Mexico Grade/Percentage: F/50%

National average Grade/Percentage: F/44%

Policy Recommendation: Create online opportunities for students through IDEAL-NM and other accredited charters and districts. This could be modeled on Utah’s Statewide Online Education Program¹⁵

2) Student Access

All Students Have Access to High Quality Digital Content and Online Courses: digital learning environments have flexibility with class-size and student/teacher ratios; no school district can restrict student enrollment in full-time online school or an individual online course through enrollment caps/geographic boundaries; all students can enroll in an unlimited number of individual online courses

New Mexico Grade/Percentage: D+/67%

National average Grade/Percentage: C/73%

¹⁵ Utah State Office of Education, <http://www.schools.utah.gov/edonline/students-and-parents.aspx>

Policy Recommendation: Allow funding to follow the student on a course-level basis in order to encourage innovation and competition among districts, programs, and charters.

3) Personalized Learning

All students can customize their education using digital content through an approved provider: All students may enroll with more than one online course provider simultaneously; all students may enroll in and begin an individual online course on a rolling basis anytime throughout the year.

New Mexico Grade/Percentage: C/75%
National average Grade/Percentage D/65%

Policy Recommendation: Re-examine distance education rules based upon new learning models for virtual education.

4) Advancement

Students Progress Based on Demonstrated Competency: Students must demonstrate mastery on standards-based competencies to earn credit for a course and to advance to the succeeding course; all students are provided multiple opportunities during the year to take end-of-course exams; all students earn credits based on competency, not instruction time; all districts and approved providers accept credits from other districts and state-approved providers in the state.

New Mexico Grade/Percentage F/50%
National average Grade/Percentage D-/60%

Policy Recommendation: Develop policies encouraging mastery of learning and re-examine seat time and attendance regulations. Establish state data systems that are flexible to account for new learning models.

5) Quality Content

Digital content, instructional materials, and online and blended learning courses are high quality: All digital content and instruction must be aligned with state or Common Core standards; no additional burdens are placed on the approval and procurement processes for digital content beyond those for print content; instructional material funding may be used for purchasing digital content and systems.

New Mexico Grade/Percentage A/100%
National average Grade/Percentage A-/93%

Policy Recommendation: Create an outcomes-based course choice portal that examines course outcomes and parental/student feedback for parents/students to make informed choices on digital learning.

6) Quality Instruction

Digital instruction is high quality: State allows alternative routes for teacher certification; allows reciprocity among other states for certification of teachers; there is a statewide definition for “teacher of record,” teachers may be “teacher of record” in multiple schools, student-performance data is used to evaluate the effectiveness of teachers, and professional development is available to teachers teaching an online or blended learning course.

New Mexico Grade/Percentage A/92%
National average Grade/Percentage C+/77%

Policy Recommendation: Completely revamp New Mexico’s “three-tiered licensing system by eliminating teacher pay based upon education and experience and eliminate teacher tenure. Course demand, quality outcomes, and teacher performance should determine teacher pay and employment.

7) Quality Choices

All students have access to multiple high-quality providers: Statewide digital provider authorization includes virtual charter schools, full-time online schools, and part-time online courses; the criteria, process, and time frame for authorizing online providers are clearly defined; online providers are allowed to appeal decisions after a denial; multiple opportunities are available throughout the year to apply for approval; approval lasts for three or more years; and the state maintains a website providing information and links to relevant digital learning providers.

New Mexico Grade/Percentage D/63%
National average Grade/Percentage D/65%

Policy Recommendation: Create additional state policy that leverages existing charter law and includes a few unique components to ensure quality virtual charter applications such as describing teacher-student interactions and the quality of the learning management system. Model essential elements for virtual learning on Idaho’s charter law which includes a section on quality virtual charter applications. Revise existing charter timeline to include multiple opportunities for submission and increase authorizers to include universities and regional educational cooperatives.

8) Assessment and Accountability

Student learning is the metric for evaluating the quality and content of instruction: State-mandated assessments in core subjects must be administered digitally, either online or on a computer, outcomes-based student-performance data is used to evaluate the quality of virtual charter schools, full-time online providers, and individual online courses; as determined by outcomes-based student-performance data, virtual charters, full-time online schools, and individual online course providers may be closed.

New Mexico Grade/Percentage A/92%
National average Grade/Percentage D/66%

Policy Recommendation: Create a strategic plan for outcomes based data to include student performance and satisfaction and ensure strategic plan is incorporated into state data systems.

9) **Funding**

Funding creates incentives for performance, options, and innovation:

Public funds are available for online learning to: *all* students; state funding for digital learning is provided through the public per-pupil school funding formula; funding is provided on a fractional, per course basis to pay providers for individual online courses; funding follows the student to the school or course of their choice; the same per-pupil funding with the same payment process is available to all providers; providers receive final funding payment upon course completion based on student daily attendance, performance, and competency.

New Mexico Grade/Percentage F/33%
National average Grade/Percentage D/66%

Policy Recommendation: Create equitable funding for face-to-face and virtual schools including reimbursement for actual school facility costs. Create funding policy that differentiates between full time virtual schools and part time/supplemental digital learning. Create a fractional, per course funding that follows a student to the course of choice that recognizes both up-front costs and the importance of competency/completion.

10) **Delivery**

Infrastructure supports digital learning:

All schools have high-speed broadband access; All teachers are provided with Internet access devices; All students have access to Internet access devices; all of the Data Quality Campaign's 10 State Actions to Ensure Effective Data Use are achieved.

New Mexico Grade/Percentage F/44%
National average Grade/Percentage F/51%

Policy Recommendation: Develop public-private partnerships in NM to create the bandwidth and infrastructure to support digital learning statewide.

Conclusion

Technology can transform education delivery here in America and around the globe. As noted in this paper, New Mexico is neither at the forefront of innovation in the area, nor a laggard. However, New Mexico is most certainly a laggard when it comes to education results.¹⁶ So, it is time for policymakers in New Mexico to embrace and shape the future rather than fighting it.

¹⁶ Education Week, *Diploma's Count 2013*, June 6, 2013,
http://www.edweek.org/media/diplomascout2013_release.pdf

This report card can provide policymakers a starting point in understanding the strengths, weaknesses, and opportunities for New Mexico policymakers when it comes to digital education. Rather than being happy with results that place New Mexico in the “middle of the pack,” policymakers should closely-examine what neighboring Utah has done to become the national leader in digital and online learning.