

TURNING THE CORNER TO QUALITY

**POLICY GUIDELINES FOR STRENGTHENING
OHIO'S CHARTER SCHOOLS**

from

**The Thomas B. Fordham Institute
The National Alliance for Public Charter Schools
The National Association of Charter School Authorizers**

with

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FOREWORD

In the summer of 2006, Governor Bob Taft, Senate President Bill Harris, House Speaker Jon Husted, and Superintendent of Public Instruction Susan Zelman invited the three national organizations we lead to offer our advice about “additional steps Ohio might consider to increase the quality of education provided through the charter school choice option.”

With that charge, we spent the last few months working together to prepare this report. We reviewed data about how the charter school sector is working in Ohio; scanned the country for examples of how other states have made the most of the charter opportunity; hired experts in charter finance, sponsorship, accountability, and policy to advise us; and considered dozens of possible recommendations.

After much analysis and deliberation, we settled on 17 recommendations that will help Ohio meet the following four broad goals:

- Keep the Accountability/Autonomy Promise
- Strengthen Ohio’s System of Charter School Sponsors
- Fund Charter Schools Fairly
- Help Open Quality Charter Schools

Based on our review, it is clear to us that Ohio’s community school (a.k.a., charter school) program is at a crossroads. Thousands of students attend nearly 300 charter schools, many achieving at much higher levels than their peers in surrounding district schools. Charter schools in Dayton and Cleveland outpace the local district schools in both reading and math. Across the state’s eight urban districts (the “Ohio Eight”), charter school proficiency rates in reading and math have doubled in five years, surpassing progress within the districts and nearly eliminating the proficiency gap between the district and charter sectors. Accomplishments like these underscore the promise charter schools offer for Ohio’s children.

Yet too many students attend charter schools that have not demonstrated their value over time. Some charter schools have been in Academic Emergency for two or more consecutive years, the lowest category in Ohio’s accountability system, and a number have failed to make Adequate Yearly Progress (AYP) under the federal No Child Left Behind Act (NCLB). Though the performance of Buckeye charter schools has improved substantially during the last half-decade, it still lags far behind the state’s goal of 75 percent proficiency. Only four in 10 charter school students in the Ohio Eight districts are proficient in math. Just more than half meet state standards in reading. True, these results are comparable to those in traditional urban districts. But being on-par with a set of relatively low performing school districts is simply not good enough. The charter sector is still not nearly as strong as it needs to be to meet the needs of Ohio’s children and families.

We conclude that Ohio needs to take additional steps to realize the full promise of charter schools. Drawing on best practices nationwide, state leaders need to do more to hold charter schools accountable for results, give them the autonomy they were promised, ensure that their sponsors provide sound oversight, and fund them equitably. With these changes, Ohio can then enable more high-quality new schools to open, meeting the great demand for better educational options across the state.

Ohio has already started down the path toward enhanced quality and accountability. We are impressed with the richness of ideas and spirit of commitment found within the Buckeye State. We applaud the efforts of many who have focused on quality charter schooling. In November 2005, for example, top Ohio leaders participated in a “Quality Summit,” pledging to make Ohio’s charter school program the best in the nation. Educators and policymakers alike have made heroic efforts to ensure that every child in a charter school is receiving a quality education.

Ohio is poised to capitalize fully on the potential of charter schools, using them as a powerful tool to bring high-quality educational options to more of the state’s students, especially the neediest among them. The recommendations in this report can spur Ohio’s charter school sector to even greater achievements in the coming years.

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RECOMMENDATIONS IN BRIEF

Responding to a request from top Ohio elected officials, the Thomas B. Fordham Institute, the National Association of Charter School Authorizers, and the National Alliance for Public Charter Schools prepared this report, which sets forth 17 recommendations to make Ohio's charter school program the strongest in the nation. The research team, coordinated by Public Impact and including Louann Bierlein Palmer, Michelle Godard Terrell, Bryan Hassel, and Peter Svahn, helped these three organizations examine documents, interview officials, review news accounts, plumb data sources, and canvass the country for promising ideas that could be useful to Ohio policymakers.

The ensuing recommendations are designed to boost the quality of existing charter schools in Ohio while expanding the charter sector to meet the substantial demand in Ohio for excellent schooling options. As Ohio and the nation move to hold schools to higher standards of quality, charter schools have the potential to be a vital part of the state's effort to provide a top-notch education to all students. But to realize that promise, Ohio's policymakers need to act boldly to strengthen the state's charter program.

The first group of recommendations asks Ohio to keep the accountability/autonomy promise. The charter school concept rests on granting schools the freedom to be different while holding them strictly accountable for results. In Ohio, however, both sides of this bargain have eroded. State policymakers need to act swiftly to close down its worst charter schools and measure the success of the remaining ones more accurately, while simultaneously reducing the burdens of compliance on charter schools. The State Board of Education should be supported by a new Community School Advisory Council to help keep that promise over time.

The second set of recommendations calls on Ohio to strengthen the state's system of charter

school sponsors. As the organizations that approve and oversee charter schools, sponsors must be carefully selected, held accountable, and funded adequately. The recommendations in this section aim to make Ohio's system of multiple sponsors the chief agent for quality control and improvement in the charter sector.

At the same time, Ohio must fund its charter schools fairly. While money alone cannot buy high-quality education, Ohio's charter students deserve to have their public schools funded at a level equal to other public school pupils. This set of recommendations includes strategies to bring charter funding to reasonable parity with district funding and to address the enduring challenge that charter schools face in accessing suitable school facilities.

A fourth set of recommendations calls on Ohio to enable high-quality charter schools to open. Arbitrary caps on the number of new charter schools are counterproductive, especially with the introduction of a sound statewide sponsor evaluation system and the additional accountability recommendations in this report. The state should also develop and adopt detailed guidelines for e-schools, which would enable more of this important type of public school option to open as well.

In summary, the 17 policy recommendations for strengthening Ohio's charter school program follow.

Keep the Accountability/ Autonomy Promise

- 1** Immediately initiate a "house-cleaning" process that identifies the poorest performing charter schools and requires all such schools to obtain reapproval or close.

- 2** Deter “sponsor hopping” by prohibiting any closed school or school placed on probation from seeking a new sponsor.
- 3** For 2007-08 and beyond, implement a single value-added accountability system for all public schools in the state that:
 - (a)** eliminates norm-referenced testing components (currently in place only for charter schools); and
 - (b)** includes alternative data-driven components for dropout-recovery schools.
- 4** Create (via the State Board of Education) an ad hoc Community School Advisory Council to provide input on charter school and sponsor issues handled by the State Board and the Ohio Department of Education (ODE).
- 5** Reduce the reporting and compliance burden on charter schools by conducting a top-to-bottom review of all such requirements.

Strengthen Ohio’s System of Charter School Sponsors

- 6** Implement a performance-based Sponsor Evaluation System that:
 - (a)** includes clear sponsor responsibilities in reference to holding their charter schools accountable for academic performance, organizational viability, and financial stewardship;
 - (b)** contains progressive sanctions for sponsors; and
 - (c)** is designed with input of the new Community School Advisory Council.
- 7** Require all sponsors to participate in the Sponsor Evaluation System.

- 8** Conduct a study of actual sponsorship costs and provide state funding to support quality sponsorship efforts.

Fund Charter Schools Fairly

- 9** Support the creation of the Ohio Charter School Facilities Foundation, which:
 - (a)** receives a proportionate share of future capital bonds provided to the Ohio School Facilities Commission for distribution to charter schools;
 - (b)** participates in a state aide “intercept” program on behalf of charter schools (where state aide needed by charter schools to repay loans is sent directly to this new Foundation);
 - (c)** provides necessary oversight so the Ohio Legislature can remove the 15-year borrowing term limitation for charter schools; and
 - (d)** is eligible to receive funds from bonds issued by conduit bond authorizers for charter school debt handled by the Foundation.
- 10** Create incentives for school districts to provide high-quality charter schools with facilities.
- 11** Push charter school funding closer to parity with district schools by the state directly providing charter school pupils the same level of operational funding on a per-pupil basis.
- 12** Allow ODE to provide the full amount of state transportation funding directly to charter schools, if such schools elect to transport children independently of districts or if districts refuse to provide charter schools with transportation.

13 Require *all* state and federal start-up funds to be paid back to the state in full for any charter school that is reabsorbed by a school district.

Help Open Quality Charter Schools

14 Modify existing provisions that allow exceptions to the state cap to:

(a) expand the existing definition of a charter operator to include other organizations that are responsible for the

operational design or daily operations of charter schools; and

(b) require operators to be considered successful only if more than half of the schools they operate meet the state's standards for quality.

15 Remove the state-level caps on charter schools.

16 Eliminate geographic restrictions on where new charter schools can be located.

17 Remove the moratorium on e-schools, following revision of the e-school standards adopted by the State Board of Education.

INTRODUCTION

Forty states and the District of Columbia now have charter laws. Ohio's charter school program started in 1997 and has grown into one of the largest in the nation. During 2005-06, more than 70,000 students attended 304 charter schools (see Table 1).

broadly similar to that of the Ohio Eight. A somewhat higher percentage of charter school students are black (71 percent vs. 62 percent). A somewhat lower percentage may be economically disadvantaged (63 percent vs. 75 percent). Yet many charter

Table 1: Number of Charter Schools and Students, 1998-2006

School Year	Number of Charter Schools	Number of Charter School Students
1998-99	15	2,205
1999-00	49	7,391
2000-01	70	9,553
2001-02	96	19,869
2002-03	137	29,636
2003-04	181	42,037
2004-05	269	59,520
2005-06	304	70,598

Source: Ohio Department of Education, Office of Community Schools.

Note: As of August 15, 2006, there were 299 operating charter schools, a change of five less schools since the 2005-06 school year.

Student population. What kind of students attend charter schools in Ohio, and how do they compare to public school students more broadly? To answer those questions, it is helpful to divide charter schools into two groups: e-schools, which deliver instruction primarily online, and brick-and-mortar schools. Ohio's brick-and-mortar schools draw primarily from the Ohio Eight's urban districts; as a result, it makes the most sense to compare brick-and-mortar demographics to those of the Ohio Eight districts. As shown in Figure 1, the student population in brick-and-mortar schools is

schools do not participate in the federal free and reduced price lunch program, which the state uses as its gauge of economic disadvantage. Therefore, it is difficult to accurately measure the economic status of students enrolled in Ohio's charters.

Since e-schools enroll students statewide, it is best to compare their demographics to those of the state as a whole. Again, the numbers are very similar. About 20 percent of charter e-school students are non-white, compared to 23 percent in the state as a whole. About 41 percent are economically disadvantaged, versus 35 percent statewide.

Figure 1a: Student Characteristics in Charter Schools and Ohio Eight Urban Districts, 2005-06 (charter e-schools excluded)

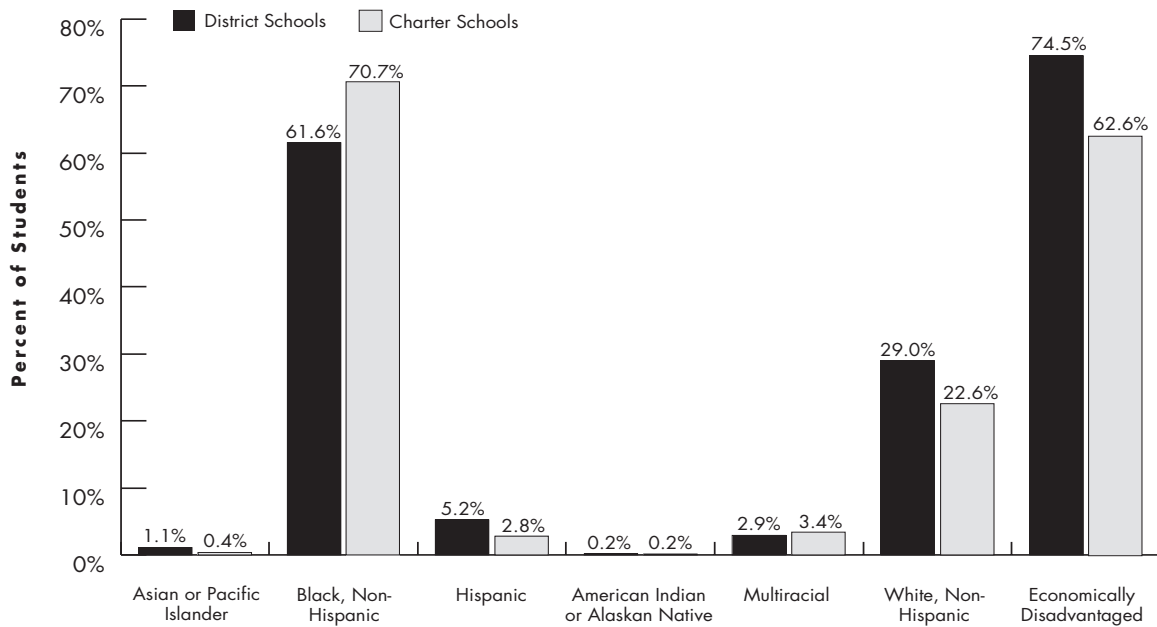
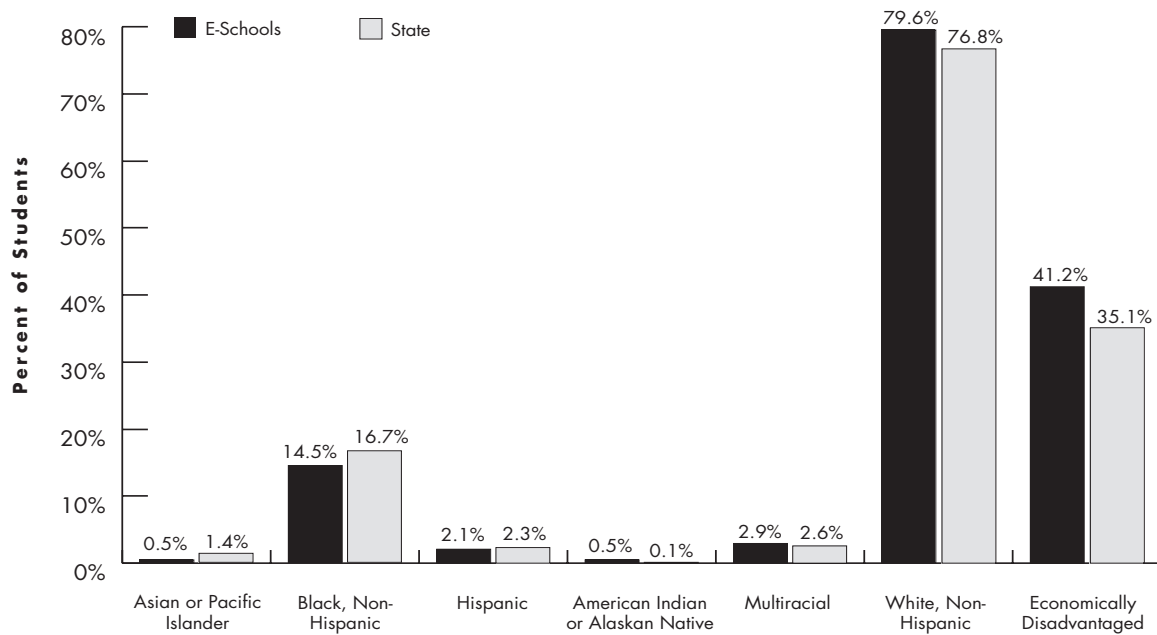


Figure 1b: Student Characteristics in Charter E-Schools and Statewide, 2005-06



Source: Office of Community Schools, Ohio Department of Education.

Evolution of the charter program. As summarized in Table 3, Ohio's charter school policies have changed greatly since the initial 1997 legislation was enacted. The early law established a pilot project in Lucas County involving the local Educational Service Center (ESC) and the University of Toledo as sponsors. Later in 1997, another bill allowed

boards of public school districts and the State Board of Education to sponsor start-up schools in Ohio's eight largest cities. In addition, all of the state's school boards were authorized to sponsor conversion charter schools. In 1999, the law was changed to allow start-ups in 21 urban districts and other districts deemed to be in Academic Emergency.

Table 2: Key Terms Related to Ohio Charter Schools

Community schools: Called "charter schools" in other states, Ohio's community schools are public schools that operate independently of traditional school districts under a contract with a "sponsor." If a community school fails to live up to the terms of its contract, the sponsor can revoke that contract or choose not to renew it at the end of its term.

Conversion school: A conversion charter school is a charter school created by the conversion of all or part of an existing public elementary or secondary school into a charter school.

E-school: E-schools deliver instruction primarily via the Internet rather than having students attend school in a brick-and-mortar building. E-schools are also known as virtual schools, online schools, and cyber schools.

ESC: An educational service center, or ESC, is an entity that provides a range of services to school districts and schools within a region of the state. ESCs can be charter school sponsors under Ohio law.

ODE: Ohio Department of Education.

Ohio Eight: Ohio's eight largest urban school districts.

Operator: An operator is an organization that conducts the day-to-day operations of a charter school under a contract with a sponsor. Operators may be nonprofit or for-profit organizations headquartered in Ohio or elsewhere. Examples include White Hat Management and Edison Schools.

Sponsor: A sponsor is an organization that approves and monitors charter schools. A school's sponsor enters into a contract with an operator to run day-to-day operations. However, sponsors bear the ultimate responsibility for school oversight and for decisions regarding whether a charter school continues operating. In Ohio, eligible sponsors include districts, public universities, educational service centers, and certain nonprofit organizations.

Start-up school: A start-up school is a newly created public elementary or secondary school independent of any school district and operating pursuant to a contract with an authorized sponsor.

By 2002, this legislation had resulted in the emergence of one large-scale sponsor (the State Board of Education with about 140 schools), two smaller non-district sponsors (Lucas County ECS and the Ohio Council of Community Schools, a nonprofit organization created as a sponsor designee of the University of Toledo), and a number of school districts sponsoring a few schools each.

A 2002 report by Auditor of State Jim Petro raised issues with how the State Board had been fulfilling its sponsorship responsibilities. Although the State Board had already created a system of regional offices to oversee charter schools and implemented well over 100 actions in response to the audit, the law was changed (with support from the State Board) to end the Board's sponsorship role (via House Bill 364, effective January 2003).

Instead of sponsoring schools directly, the State Board and ODE became an "authorizer of sponsors" with several new roles: approving and monitoring new sponsors, providing technical assistance to sponsors and schools, and reporting on the performance of all charter schools in the state. The bill allowed qualified 501(c)(3) organizations (hereinafter referred to as nonprofit organizations) and all public universities and educational service centers to apply to become sponsors. It established a two-year transition period for any new sponsors to obtain State Board approval and for the approximately 140 charter schools previously approved by the State Board to find new sponsors. It also established the first state cap of 225 start-up charter schools (effective until June 2005) and required ODE to issue an annual report card for each charter school after two full years of operation.

Although a change in law removed sponsorship responsibilities from the State Board, it left in place such rights related to start-up schools for the Lucas County ESC, the University of Toledo designee known as the Ohio Council of Community Schools, and the Cincinnati, Cleveland, and Dayton Public Schools. Each of these entities could continue sponsoring start-up schools without approval from the State Board, as could all district

school boards in the case of conversion schools. All other eligible entities (i.e., other districts, county education service centers, public universities, and nonprofit organizations) now needed to obtain approval from the State Board prior to sponsoring a start-up charter school or taking over the sponsorship of an existing school.

The intent of House Bill 364 was to have a group of high-quality, community-based organizations emerge as sponsors to take on charter contracts from the State Board and sponsor new schools to meet local needs. This worthy intent was swiftly undermined, however, when several existing sponsors decided to expand their chartering role statewide (by placing a representative within 50 miles of each charter school they sponsored as required by state law). Established sponsors began actively soliciting contracts from existing schools across the state. By July 2005, Lucas County ECS had 234 such contracts. Because schools had a choice of sponsors, the "market" kept sponsorship fees between one and two percent (rather than the three percent allowed by law), making it difficult for new sponsors to develop an adequate infrastructure to support their activities. Many policymakers had come to agree that there were serious quality concerns within the charter sector, issues that demanded further legislative action.

Given this background, House Bill 66 was enacted during the 2005 legislative session (effective July 2005), and again the sponsor and charter school landscape in Ohio shifted. This bill placed statewide caps (until July 1, 2007) on the number of new schools that could be sponsored: no more than 60 start-up schools could be chartered beyond the number operating in May 2005. Within that cap of 60, no more than 30 could be chartered by each of the two major categories of sponsor: district and non-district. While the law contained some exceptions, these caps placed a lid on charter school growth in Ohio.

Caps were also placed on the number of start-up schools that any given sponsor could approve, with

new sponsors allowed no more than 50 each, and Lucas County ESC required to reduce its number to no more than 75 by June 30, 2006 (with further reductions via attrition until it also has no more than 50 contracts). It also placed a moratorium on additional new “e-schools” (until such time as the Legislature establishes standards for such schools). Finally, the new law required average, low-performing, and new charter schools to implement fall and spring nationally normed assessments (beginning in 2006-07) on top of the annual state tests required of all public schools.

During 2005-06, ODE continued to review and approve additional nonprofit, educational service center, and district sponsors as part of its new role as “authorizer of sponsors.” The State Board adopted new standards for e-schools, but these were not ratified by the Legislature. There were also a number of charter schools switching to new sponsors as sponsor caps took effect. House Bill 530 (2006) pushed back the implementation of the additional charter school assessments to 2007-08.

As of August 15, 2006, Ohio had 299 operating charter schools overseen by 69 sponsors, of which eight were nonprofit organizations (with 145 schools), six were county educational service centers (with 85 schools), and 55 were school districts (with 69 schools).

Performance of charter schools. Like all other public schools, charter schools in Ohio administer the state assessments and are fully covered by state and federal accountability policies. Since most of Ohio’s charter schools are located within the state’s eight urban districts, it is best to use the performance of those districts as a reference point. Figures 2 and 3 compare proficiency rates in the Ohio Eight districts to those of charter schools located within those districts in reading and math respectively. In 2005-06, charter schools in two communities, Dayton and Cleveland, outperformed district schools in both subjects. In Cincinnati, proficiency rates in reading were similar, but in math, district schools had higher passing rates. In the other five

districts, proficiency rates were higher in district schools.

When aggregating scores across all Ohio districts, the proficiency rates of all charter schools in those districts were similar in 2005-06 to those in the traditional schools. In reading, 56.5 percent of charter students were proficient, compared to an average of 56.1 percent in the districts.¹ In math, 41.1 percent of charter students met proficiency, compared to an average of 43.6 percent in districts. As Figures 4 and 5 show, this relative parity is new. Five years ago, charter school proficiency rates lagged far behind those of districts. Since 2001-02, charter proficiency rates have more than doubled, while district rates have risen more slowly.

Still, proficiency rates in charter schools fall far below the state’s goal of 75 percent. The fact that charter schools have caught up to the Ohio Eight, which are themselves a set of relatively low-performing districts, does not by any means signify that charter schools are performing adequately as a group. Fewer than half of charter students in the Ohio Eight, after all, are proficient in math. In addition, averages mask wide variation across charter schools. Though there are many excellent charter schools, many others are performing at the lowest level. Thirty-four were rated in Academic Emergency for both of the two most recent years² – the state’s lowest category. One hundred four (104) schools failed to make AYP in both years. While there is much to cheer in the charter sector, there is also considerable room for improvement.

Turning the Corner. What can be done to take Ohio’s charter sector to the next level -- one better than just matching the results of Ohio’s urban districts? Our research on Ohio’s program and charter initiatives nationwide suggest a number of steps Ohio policymakers can take in this direction: strengthening both accountability and autonomy, improving sponsorship, funding charter schools fairly, and enabling high-quality new schools to open. The next four sections explain each recommendation in turn.

Figure 2: Individual Ohio Eight District Scores: Charter and District Students Passing Ohio's Reading Test, 2005-06

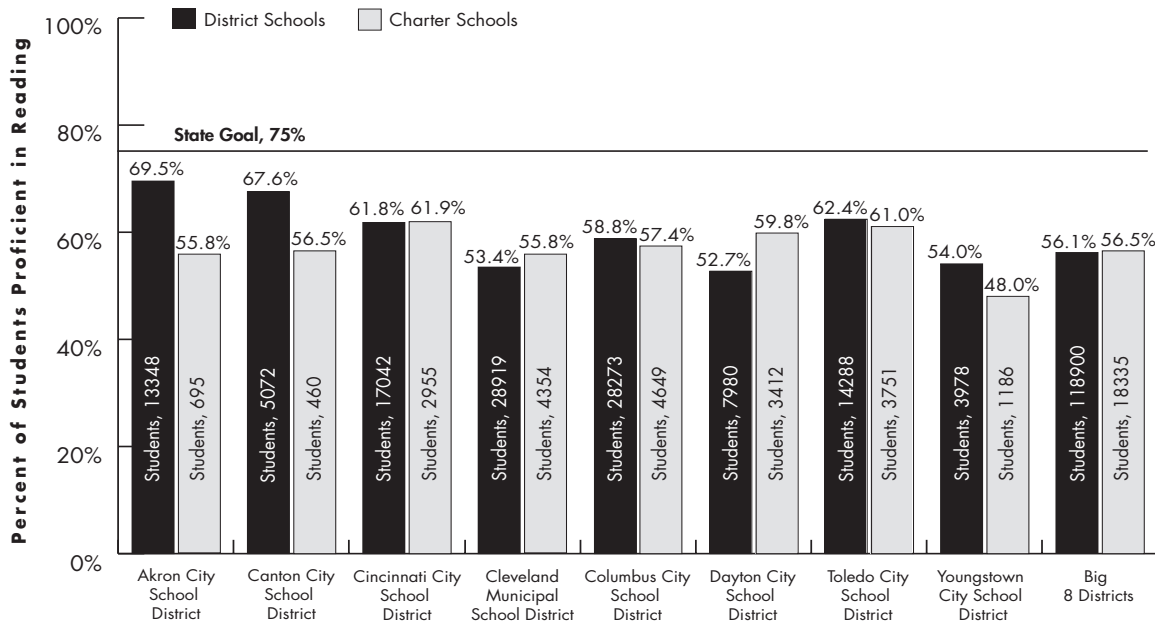
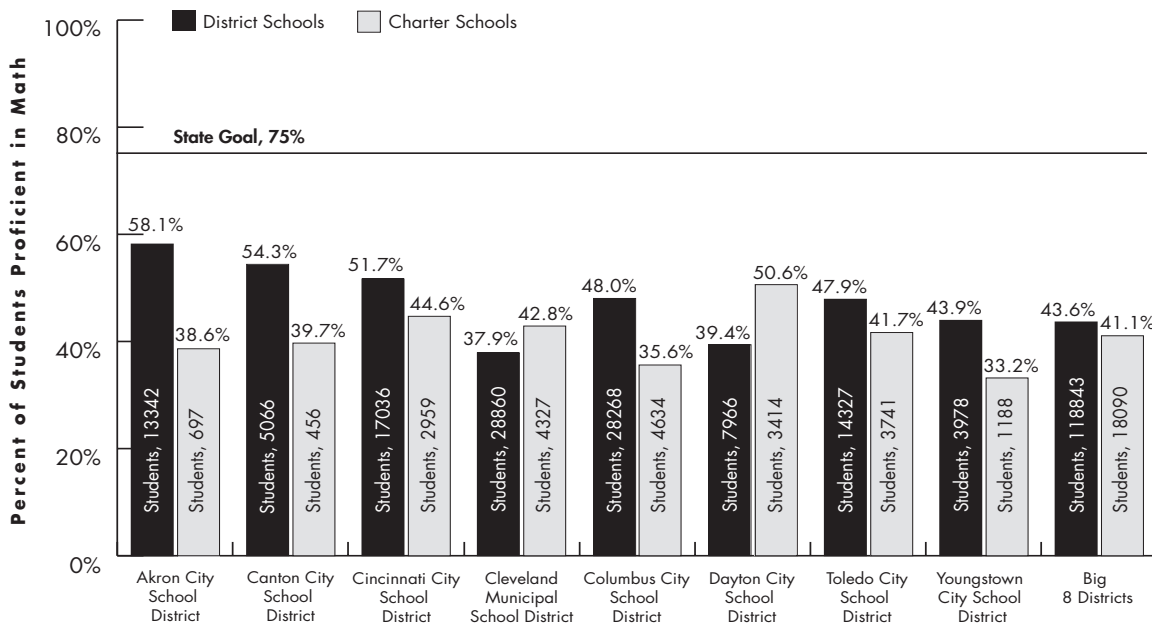


Figure 3: Individual Ohio Eight District Scores: Charter and District Students Passing Ohio's Math Test, 2005-06



Note: Grade-level data (grades 3-8 and the Ohio Graduation Test) provided by ODE Office of Community Schools, with district-wide percentages for district and charter schools tabulated (and weighted as appropriate) based on those data.³

Figure 4: Aggregate Ohio Eight District Scores: Charter and District Students Passing Ohio's Reading Test, 2001-02 to 2005-06

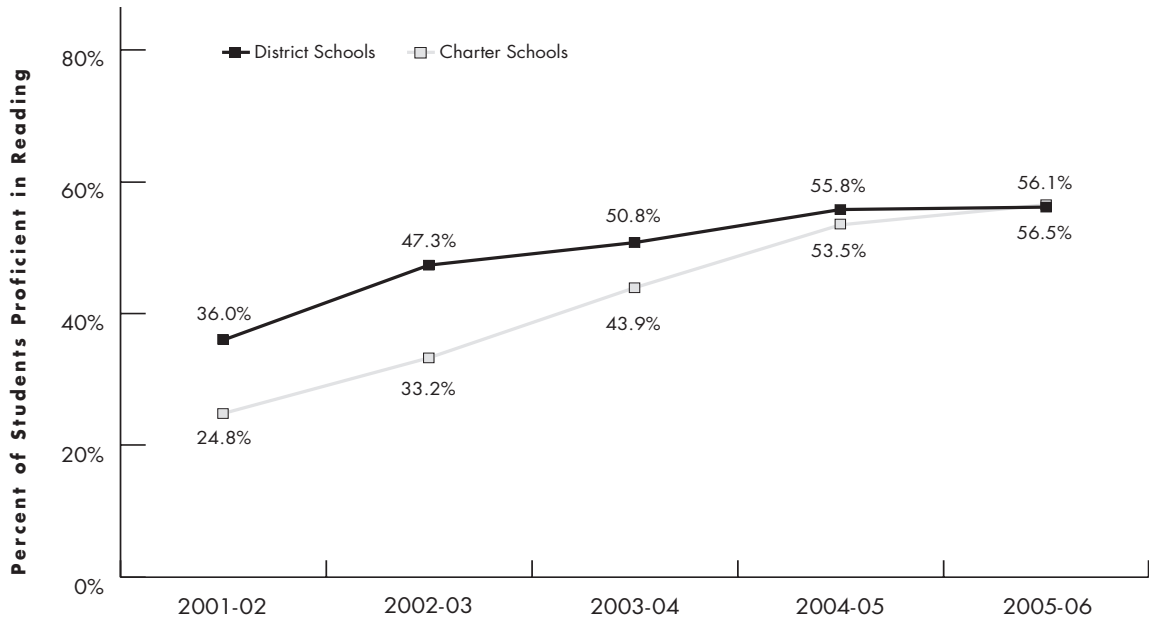
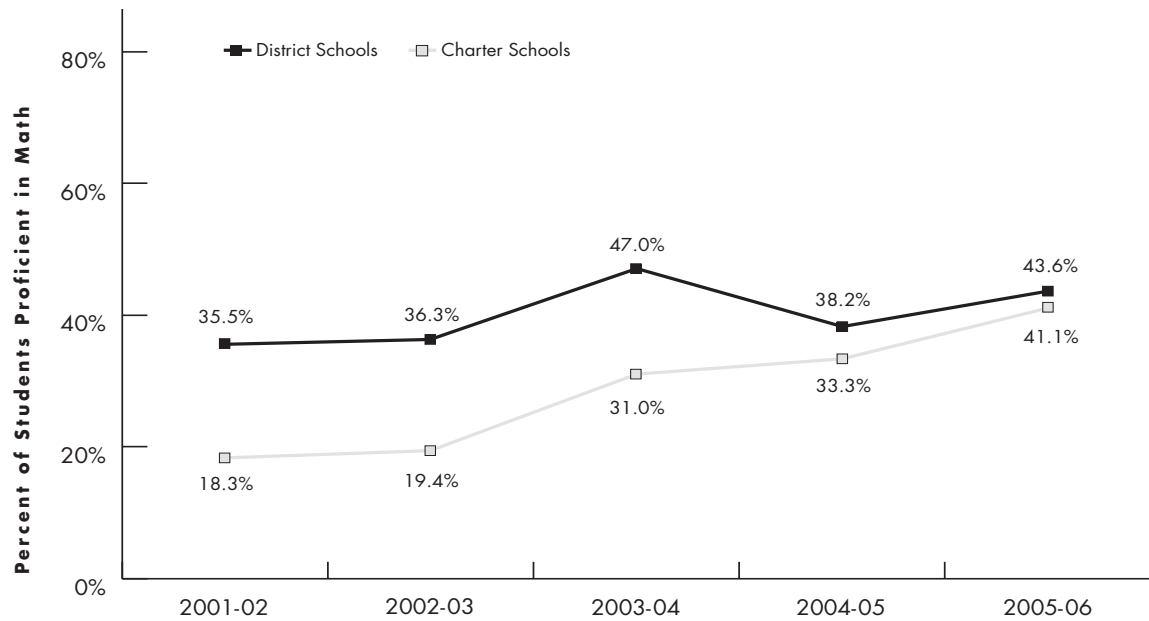


Figure 5: Aggregate Ohio Eight District Scores: Charter and District Students Passing Ohio's Math Test, 2001-02 to 2005-06



Note: All data for this chart were tabulated from data drawn from the ODE website <http://www.ode.state.oh.us>. The district proficiency rates include the Ohio Eight district rates weighted by the percentage of charter students in each district and in each grade (grades 3-8 and the Ohio Graduation Test).⁴

Table 3: Evolution of Chartering in Ohio

Date	Key Actions
June 1997	Charter school program begins. Conversions allowed statewide. Start-up charters piloted in Lucas County. Two sponsors: University of Toledo and Lucas County ESC.
August 1997	Authority to sponsor start-up charters expands to Ohio Eight urban districts; State Board added as a sponsor.
1998	First charter schools open.
1999	Authority to sponsor start-up charter schools expands from Ohio Eight to the 21 largest districts and those rated in Academic Emergency.
2000-01	The State Board of Education adopts policy statements (June, 2000, January, 2001, and November, 2001) to further define support and direction for charter schools in areas of start-up, governance, capacity building, and school accountability.
2002	State auditor Jim Petro releases extensive report urging expansion of sponsorship to include a variety of institutions.
2003	<p>House Bill 364 caps start-up charter schools at 225, ends State Board’s role as a sponsor, and increases pool of eligible sponsors. Office of Community Schools created within ODE. Location of start-ups limited to the Ohio Eight, districts in Academic Emergency and Academic Watch and those in Lucas County. State Board directed to develop guidance for the operation of e-schools (i.e., internet-based charter schools).</p> <p>House Bill 364 also requires ODE to prepare an annual report [not to be confused with the annual local school report card (LRC)] detailing effectiveness of academic programs, operations, and legal compliance and of the financial condition of all charter schools.</p>
2005	House Bill 66 caps on schools and sponsors, imposes a moratorium on e-schools until governing standards are established; and requires a fall/spring assessment system for low-performing and new charter schools, with the State Board directed to adopt rules for its implementation during 2006-07.
2006	House Bill 530 delays additional charter school assessments to 2007-08.

KEEP THE ACCOUNTABILITY/ AUTONOMY PROMISE

Background

The essence of the charter idea is an exchange of autonomy for accountability. Schools receive greater operational freedom but in return must meet high standards of results-based accountability or be shut down. Ohio's current charter program falls short on both halves of this bargain.

Ohio charter schools currently are held to the same academic achievement norms as traditional district schools under state law and the federal No Child Left Behind Act (see Table 4). These include the same state tests used within the state accountability system and under NCLB. Although not required of traditional public schools, additional

fall and spring nationally normed testing obligations were recently required by law for many charter schools, although their implementation has been delayed until 2007-08.

Each year, the state's accountability system assigns every school and district one of five ratings: Excellent, Effective, Continuous Improvement, Academic Watch, and Academic Emergency. In 2005-06, these ratings were based on 25 indicators including test results and graduation and attendance rates. The statewide achievement tests in grades 3-8 and the Ohio Graduation Tests are administered each spring. The system is complex, and a summary table is provided in the endnotes to offer more details on its workings.⁵

Table 4: Accountability in Ohio Charter and District Schools

	Charter School	District School
State Assessments (Achievement Tests and the Ohio Graduation Test)	Required	Required
State Accountability System and School Report Cards	Required	Required
Additional Academic Assessments	Required fall and spring math and reading nationally-normed assessments for all new charter schools and those charters that have not achieved Effective or Excellent status on the state's academic rating system; to begin in school year 2007-08	Not Required
NCLB	Required	Required

Under this system of ratings, the performance of charter schools in Ohio as a group has been improving, but it still falls below the expectations held by state policymakers and parents. Many charter schools are performing well. In some cities like Dayton and Cleveland, charter schools significantly outperform the local district schools on average (see Figures 2 and 3 in the Introduction). Statewide, average charter school performance has also improved substantially in the last five years (see Figures 4 and 5 in the Introduction). Still, too many charter schools are at the bottom of the performance ranks. Of the 127 charter schools that received performance designations from the state in both of the last two years, 34 were rated in Academic Emergency – the state’s lowest category – for both years. Of the 251 that received AYP determinations for the last two years under NCLB, 104 failed to make AYP in both years.

Though these results are troubling, Ohio’s current accountability system does not adequately distinguish between schools that are truly ineffectual and those making strong progress with students who enter with very low achievement levels. This is especially true for dropout-recovery charter schools that reach out to students who have not been in school and typically have a long history of academic hardship.⁶ These high schools, by virtue of their student populations, can easily end up with the lowest academic ratings, even if they are doing an excellent job.⁷ Comparing a school like Dayton’s ISUS Institute of Construction Technology (an ungraded charter school enrolling students ages 16-22), which teaches the construction trades to former dropouts, to a neighboring public high school is like comparing apples to oranges. Though all schools must also be held to rigorous performance standards, Ohio’s current accountability system is insufficient to identify which of them are performing well or badly.

Fortunately, the state is addressing this issue. The ODE has been working to upgrade its accountability system for *all* public schools to comply with NCLB requirements and to incorporate a value-

added component to measure each student against his or her starting level in addition to his or her performance in relation to a fixed standard of proficiency. A value-added component would allow educators and policymakers to measure the year-to-year growth of students in charter and district schools and should provide a solid indicator of an individual school’s impact on individual students. In fall 2006, the State Board of Education will decide the extent to which value-added element will affect a school or district rating, what constitutes enough growth from year to year, and when schools and districts should be rewarded or penalized. The 2007-08 school year will yield baseline data for Ohio’s new value-added accountability system.⁸

While these changes will provide much needed information and be fairer to schools that enroll initially low-achieving students, they will still leave dropout-recovery schools and schools that serve special education students exclusively poorly measured. The system will still not be able to track progress for most high school students. And it will not track many of the most important results dropout-recovery schools are aiming to achieve, namely their students’ post-graduation outcomes.

Overall, although significantly improved accountability data will be available in a few years, it is not necessary to wait for such new data systems to know that a subset of Ohio charter schools is performing abysmally. As a result, immediate action is needed to shore up the accountability side of the autonomy-accountability bargain.

The state also needs to honor its promise on the autonomy side. Ohio’s current data and reporting systems are overly onerous for charter schools. Some of the information that schools must submit to one division within ODE is already collected by other units. Many reports include self-reported and unverified information that could never be used to hold schools accountable. Yet the time and effort spent submitting this data can be crippling, particularly for smaller charter schools. In addition, while the charter school idea rests fundamentally on

granting schools the freedom to be different, Ohio's charter schools are subject to constraining and sometimes conflicting laws and regulations. As it moves to live up to the accountability side of the

bargain, Ohio must act as well to ensure that charter schools have the freedom to be different in ways that benefit their students. Specific recommendations follow.

RECOMMENDATIONS

1 Immediately initiate a "house-cleaning" process that identifies the poorest performing charter schools and requires all such schools to obtain reapproval or close.

Despite flaws in Ohio's current state system of accountability, existing measures can be used to identify schools that fail to meet even minimum standards. To this end, ODE should create a process whereby it publishes, no later than February 1, 2007, a list of charter schools that repeatedly fall short of minimum standards of academic or fiscal performance. Specifically, ODE should identify charter schools that meet at least two of the following four criteria:

- Earn a rating of Academic Emergency for the two most recent years (2004-05 and 2005-06);
- Fail to make AYP for the two most recent years (2004-05 and 2005-06);
- Receive "unresolved audit findings for recovery" according to the State Auditor's Office (i.e., the school misspent public funds and must repay them);
- Receive an "unauditable finding" for two consecutive years from the State Auditor's Office (which means its financial records are in such poor condition that the school cannot be audited).

Any charter school on the list would immediately be placed on probation and, pursuant to recommendation 2, be prohibited from "hopping" to another sponsor. The school would automatically close at the end of the 2006-07 school year unless its sponsor made an explicit decision to reapprove the charter. The sponsor would have to make such a decision using an open and transparent process and specify its reasons for reapproval in a written narrative submitted to ODE and posted on its own website for public perusal.

As the state waits to transition to an improved school accountability system (as detailed in recommendation 3), this one time house-cleaning approach will publicly identify the lowest academically and fiscally performing charter schools in Ohio and assist sponsors to close such schools as warranted. It does, however, still allow sponsors to make judgments about the ultimate fate of individual schools, which is important given inherent deficiencies in the state's current assessment program. For example, even a very successful dropout-recovery school might fall short on these criteria; a sponsor would be able to see the school's performance by looking at a richer set of data.

It is important that sponsors remain the central agents of charter school accountability. Nothing in this house-cleaning process prevents them from applying their usual sanctions, taking other measures to ensure accountability, or making the final judgment about whether a school deserves to continue its existence.

2 Deter “sponsor hopping” by prohibiting any closed school or school placed on probation from seeking a new sponsor.

Ohio’s statutes are unclear about how sponsors must treat schools on probation. A charter school placed on probation by its sponsor is not currently barred from contracting with a new sponsor, nor is the sponsor of such a school barred from agreeing to assign such a contract to another sponsor. This situation is analogous to a person on probation in Ohio’s criminal justice system moving to a neighboring state to avoid staying on probation. This issue must be clarified in a statute to prevent any charter school on probation from moving to a new sponsor or to bar any closed school from seeking to reopen under a new sponsor.

In addition to schools placed on probation by their sponsors, any school identified via recommendation 1 would immediately be placed on probation by the state, and would thereby be prevented from looking for a different sponsor willing to reapprove it.

3 For 2007-08 and beyond, implement a single value-added accountability system for all public schools in the state that:

(a) eliminates norm-referenced testing components (currently in place only for charter schools); and

(b) includes alternative data-driven components for dropout-recovery schools and schools that serve special needs students exclusively.

Because Ohio’s current state accountability system lacks value-added data, House Bill 66 (2005) created an additional testing requirement that applies only to a subsection of charter schools. Fall and spring nationally normed math and reading assessments were mandated for most of the state’s charter schools – all new ones, as well as those that did not achieve Effective or Excellent status in the state’s academic rating system. This legislation was designed to determine whether charter pupils were making “expected gains” and to sanction schools that did not achieve expectations. This initiative was to launch in 2006-07, but was delayed because of significant debate surrounding how to determine the expected gains.

This charter-specific requirement may have made sense when the state had no other way of tracking individual pupil gains over time. But with the advent of the new statewide value-added system, real growth for each student and school can be easily determined annually. Hence, any charter-specific component is redundant and should be eliminated.

Within the broader accountability system for *all* public schools, ODE should also create specific provisions that hold dropout-recovery and special needs charter schools to high, but relevant, standards. The ODE should set reasonable performance standards for such schools and measure student growth in the knowledge, skills, and competencies on which dropout-recovery schools focus. This system would place such schools into the same five state performance categories as all schools, but with a more appropriate set of rigorous criteria and measures.

The new value-added state assessment component (beginning in 2007-08) will not cover high schools, therefore it will not address measurement issues for dropout-recovery schools.⁹ As a supplement to existing test score measures, a set of indicators that gauge whether or not dropout-recovery schools are doing their job should include measures, such as growth in basic skills over time (e.g., graduation rates,

attendance rates, and post-graduation outcomes). These requirements should be in place for all such dropout-recovery schools (both charter and non-charter).

4 Create (via the State Board of Education) an ad hoc Community School Advisory Council to provide input on school and sponsor issues handled by the State Board and ODE.

The State Board and ODE have important work to do within a quality-driven charter school program, including an ongoing stream of decisions about both policy issues and specific cases of sponsor approval and accountability. To assist with that process, the Board and ODE need a well-organized, focused, inclusive process for addressing the issues that arise. We urge the State Board to create a Community School Advisory Council comprised of some State Board members along with individuals representing charter schools and sponsors, as well as charter experts who are not direct “stakeholders.” Such a council could be much more focused on charter school issues than the State Board as a whole can be. And by having a broader membership, it would ensure that the perspectives of both stakeholders and outside experts are brought to bear on important decisions.

As an example, such a council might be composed of two State Board members, two charter school heads or board members, two sponsors, and two charter experts not directly connected with a school or sponsor. To the extent possible, any charter and sponsor members should be selected from formal organizations representing such entities throughout the state. All members would be approved by the State Board as a whole.

This new advisory council should provide input to the State Board and ODE on at least the following key issues: sponsor application, approval, and renewal processes and decisions; sponsor evaluation criteria, systems, and decisions; reporting and compliance requirements for schools and sponsors; and policy changes that would improve the quality of charter schools and sponsorship in Ohio. Details on such specific tasks are contained within other recommendations throughout this report.

Examples of similar advisory bodies currently utilized by Ohio’s State Board and/or the State Superintendent include the School Readiness Solutions Group, which was tasked with offering recommendations regarding Ohio’s early learning opportunities, as well as the State Superintendent Advisory Council for Non-Public Schools, an on-going council offering input regarding private school issues. Other state education boards, such as those in California and North Carolina, have created similar charter school-focused advisory councils that provide valuable input regarding the development and implementation of charter policies.

5 Reduce the reporting and compliance burden on charter schools by conducting a top-to-bottom review of all such requirements.

The original concept behind the charter school innovation is that improved learning outcomes will occur for students if educators and others are freed from onerous regulations (other than health, safety, civil rights, and fiscal and academic accountability measures). Such autonomy carries with it greater accountability for school results. Unfortunately, Ohio has not lived up to the autonomy end of the bargain (which may help account for why some charter schools have not lived up to the outcome end). It is time to right that balance.

One aspect needing adjustment is the amount of compliance paperwork that charter schools must submit. The list of charter school reporting requirements is lengthy. While much of this information is

needed for accountability purposes, not all of it is necessary. For example, there are two separate data reporting systems that require schools to submit the same information to the state in two different forms, creating needless duplication of effort for the school. And both the school and its sponsors are required to submit annual reports to the state that cover much of the same ground. Again, effort is unnecessarily duplicated. While ODE is seeking to address some of these issues, the state needs a much more comprehensive effort to streamline reporting.

There are also some statutory discrepancies to be identified and corrected. Ohio's charter law has been enacted in fits and starts across multiple legislative sessions since 1997, resulting in a number of minor discrepancies that need to be cleaned up. One section of law, for example, indicates that charter schools may not limit pupil admission on the basis of intellectual ability, while another section indicates they may limit enrollment to at-risk students (with the definition of at-risk including gifted students). None of these discrepancies by itself is crippling to those attempting to implement the law at the state and school levels, but in the aggregate they result in another set of distractions from the bottom-line focus on student outcomes.

In addition, some charter school stakeholders suggest that there are many aspects of Ohio school law and regulations that place unnecessary constraints on charter schools' operations, preventing them from running their schools in ways that are best for students. To date, however, no one has conducted a careful analysis of Ohio laws and regulations to identify those that make it difficult for charter schools to do their jobs without any offsetting benefit and therefore should be scrapped.

To this end, we recommend that ODE, with input from the proposed Community School Advisory Council, conduct a top-to-bottom review of all compliance and reporting requirements currently imposed on charter schools. This review should seek to eliminate any duplicative items, heavy reliance on unverified self-reported data, and other reporting requirements that do little to hold charter schools accountable for fiscal and academic results.

STRENGTHEN OHIO'S SYSTEM OF CHARTER SCHOOL SPONSORS

Background

Nationwide, two main paths have been taken by states that empower charter school sponsors other than local district school boards. One is a *centralized approach* involving a state board of education or, increasingly, a separate state-level charter board (created exclusively to approve and oversee charter schools). One advantage of a centralized approach is that compliance and performance accountability are often easier to obtain (since a single sponsor oversees many charter schools). Key disadvantages include the possible lack of community connections and the potential for a sole sponsor to become exactly the sort of monopoly that charter schools are designed to challenge. In addition, if a centralized sponsor ends up overseeing hundreds of schools, its leaders may see them as little more than numbers on a data sheet.

A few states have instead adopted a *system of multiple sponsors* overseen to some degree by a state-level entity. One advantage is having more sponsors overseeing fewer schools (e.g., 50 or fewer each), a scale that allows sponsors to know each individual school and its strengths and weaknesses. It also encourages the creation of specialized sponsors that can focus on certain types of schools (e.g., dropout-recovery schools, e-schools, etc.). A disadvantage is the difficulty of ensuring accountability across all sponsors without creating yet another bureaucracy. Competition among sponsors may also bring an undesirable flip-side – sponsor hopping by schools, especially if fees and expectations differ widely from one sponsor to the next.

Ohio has now tried both approaches. At one time, ODE served as a large-scale centralized sponsor. The state then transitioned to a system of sponsors, creating one of America's most diverse mixes of

potential (and active) charter sponsors. Ohio is one of just two states that allow nonprofit organizations to sponsor schools (Minnesota is the other).¹⁰ Ohio is also one of eight states that allow universities to sponsor charter schools, although unlike some other states, no university in the Buckeye State has chosen to become a direct sponsor. Many states allow county or regional education entities (like Ohio's ESCs) to sponsor schools, but no regional body elsewhere has chartered nearly as many schools as Lucas County ESC.

Has Ohio now chosen the right sponsorship path? Based on Ohio's recent history, as well as research from other states, we recommend the current approach to sponsors be maintained (but significantly strengthened). Ohio's deep-set municipal and regional differences argue for such a sponsorship system to increase the possibility of effective community partnerships and successful charter schools. In addition, Ohio only recently shifted from a centralized approach to its present system. While it remains to be seen how well the new approach will work, policymakers should give it a full test over several more years.

Changes, however, are clearly needed to maximize the potential of Ohio's sponsorship approach. Above all, every sponsor in the Buckeye State should be held to the same set of standards and accountability norms via a state sponsor evaluation system. The ODE has a key role to play in the creation and implementation of such a system, but it cannot carry out this responsibility alone. We urge the State Board (in recommendation 4) to create an ad hoc Community School Advisory Council to ensure transparency, minimize bureaucracy, and help create a successful sponsor approval and evaluation system. A new system of financing sponsors is also required since extracting sponsorship fees from under-funded charter schools is harmful to the students they serve and encourages unhealthy sponsor hopping.

Ohio has the potential to become a national leader in the best balance of sponsor and school accountability. In theory, quality sponsors should lead to stronger schools. The challenge is to hold both sponsors and schools responsible for quality outcomes, while safeguarding schools' and sponsors' autonomy from process-based bureaucratic requirements.

RECOMMENDATIONS

6 Implement a performance-based Sponsor Evaluation System that:

- (a) includes clear responsibilities for sponsors to hold their charter schools accountable for academic performance, organizational viability, and financial stewardship;**
- (b) contains progressive sanctions for poorly performing sponsors; and**
- (c) is designed with input of the new Community School Advisory Council.**

In their role as the authorizer of sponsors, the State Board and ODE are tasked with creating a system to monitor and evaluate the performance of sponsors. The ODE has already created a sponsor approval process and the foundations of a sponsor evaluation system. This evaluation system must gather data to determine whether sponsors are providing technical assistance to their schools, monitoring and evaluating their schools, and intervening if school performance is lacking. Current ODE plans call for evaluation of a “pilot cohort” of sponsors during 2006-07 (including all sponsors approved by ODE and others that volunteer to participate).

As part of this performance-based sponsor evaluation system, ODE must establish clear expectations and standards to which all sponsors will be held accountable. Sponsors play crucial roles in monitoring, guiding, and supporting charter schools while also holding them accountable for academic performance, organizational viability, and financial stewardship. The new sponsor evaluation system must measure how well sponsors are fulfilling these roles.

The new evaluation system must also include progressive sanctions for poorly performing sponsors. Current law requires ODE to conduct a hearing if it discovers a sponsor is out of compliance or no longer willing to comply with state law, its school contracts, or ODE's sponsorship rules. With approval from the State Board, ODE may revoke a sponsor's contract to sponsor schools (and may assume temporary sponsorship of any schools under contract with that sponsor). In essence, current law allows only one option when sanctioning sponsors: revocation of all aspects of the sponsor's authority.

The State Board has recommended, and the authors of this report agree, that a system of progressive sanctions for poorly performing sponsors replace the “all-or-nothing” provisions currently in statute. If ODE finds that a given sponsor is not fulfilling its responsibilities as required by law, it should have the authority to place that entity on probation. As part of such probation, ODE could restrict aspects of the sponsor's authority by limiting its geographic territory, reducing the number and/or type of schools it may sponsor, and/or requiring additional reports. If such escalating sanctions do not rectify the situation, ODE should still be able to recommend revocation of the sponsor's authority to the State Board.

The State Board has also recommended, and the authors of this report concur, that ODE should not become the direct sponsor of individual schools previously overseen by sponsors that are on probation or have had their licenses to sponsor revoked. Instead, ODE should work with other sponsors to find one willing to take on such schools. If no sponsor is willing to take on these schools, they must close.

Finally, although ODE has sought input on its initial development of the sponsor evaluation system, it is essential to have a system for obtaining formal and consistent advice from outside experts and the field. To that end, the new ad hoc Community School Advisory Council (as proposed in recommendation 4) must play a critical role in the development and implementation of the new sponsor evaluation system.

7 Require all sponsors to participate in the Sponsor Evaluation System.

Ohio's current law grandfathered many existing sponsors into the system's Approved status, freeing them from having to seek approval and enter into performance agreements with ODE. Indeed, of the 69 current sponsors, only 15 have been approved by ODE and they oversee just 115 (or 38 percent) of Ohio's charter schools. These 15 sponsors have entered into agreements with ODE that articulate performance expectations and, by law, ODE will monitor and evaluate their sponsorship activities.

The remaining 54 sponsors (overseeing 62 percent of existing charter schools) are not required to have performance contracts with ODE. Current law is also unclear regarding whether and to what extent ODE has authority to monitor or evaluate these 54 grandfathered sponsors. (See Table 5 for more information.)

Leaving 78 percent of Ohio's sponsors (representing 62 percent of charter schools) out of a sponsor evaluation system seriously undermines the state's ability to hold charter sponsors accountable for carrying out their responsibilities. It is essential that all sponsors (including districts and non-districts sponsoring both start-up and conversion charter schools) be held to the same set of quality standards overseen via a sponsor evaluation system.

If any existing sponsors are not willing to be evaluated, they should be required to give up their sponsoring role. Districts wishing to launch innovative programs without external accountability may continue to do so, but may not call them community schools or tap into specialized dollars earmarked for such schools—until and unless such districts agree to participate in the sponsor evaluation system.

8 Conduct a study of actual sponsorship costs and use state funding to support quality sponsorship efforts.

Studies have shown there is a real cost to support the dedicated staff and adequate infrastructure quality sponsorship demands.¹¹ We know that small schools commonly require as much sponsor support as larger schools (and sometimes more), lower performing schools need significantly more than higher performing ones, and schools in their first few years of operation often require more oversight and support than those that have successfully made it past the start-up phase. Yet no state has yet determined the best way to fund sponsors nor an appropriate amount.

In many states with centralized sponsors, some degree of state funding (unrelated to the number of students served) is appropriated directly to those entities. Those with a system of multiple sponsors typically use a per-pupil approach. At the lower end, Minnesota's statute allows \$30 per student (which is about 0.7 percent), and a study from that state indicates this amount is wholly inadequate.¹² Conversely, Michigan's

Table 5: Ohio Sponsors and Open Schools (as of August 15, 2006)

Entities Approved by ODE				Entities Not Required to be Approved by ODE	
Nonprofit Sponsor	Number of schools	ECS's/Districts	Number of schools	Sponsors	Number of schools
1) St. Aloysius	26	1) Montgomery ESC	4	Lucas County ESC	73
2) Ed. Resource Consultants	22	2) Auglaize ESC	2	Ohio Council of Community Schools	45
3) Buckeye Community Hope	18	3) Delaware-Union ESC	2	*52 local school districts	66
4) Ashe Culture Center	11	4) Franklin ESC	2		
5) Kids Count of Dayton	9	5) Mahoning ESC	2		
6) Thomas B. Fordham	9	*6) Columbus City School District	1		
7) Richland Academy	5	*7) Lima City Schools	1		
		*8) Youngstown City School District	1		
TOTALS	100		15		184
15 ODE Approved Sponsors (22% of sponsors) 115 schools (38% of schools)				54 Grandfathered Sponsors (78% of sponsors) (184 schools; 62% of schools)	
69 active sponsors (299 total charter schools)					
*Of the 55 district sponsors, three have sponsorship agreements with ODE and sponsor three start-up schools. The remaining 52 district sponsors are currently not required to have sponsorship agreements with ODE, and oversee a total of 66 charter schools (including 12 start-up schools and 54 conversions).					

Source: Ohio Department of Education, Office of Community Schools

fees of up to 3 percent appear to provide ample funding, since that amount is for each student in a school no matter how large and no matter how well established.

In Ohio, sponsors are allowed to charge up to 3 percent, but amounts actually being charged are often far less and vary among sponsors (based in part upon what other services sponsors might be selling to schools beyond their basic sponsorship fees). Current differences in fees and services foster sponsor shop-

ping by the various schools, which can be good if schools are looking for the most quality for their money, but bad if schools are looking for the easiest contract terms. Plus, the current system masks the true amounts actually being charged to schools since some sponsors are charging a variety of fees for various services.

It is therefore important for Ohio to determine the true cost of quality sponsoring and the services associated with those costs. The correct amount for Ohio will probably fall somewhere in the 1.5 percent and 3 percent per student range, but must be determined following a detailed study of actual sponsor practices and costs. To accomplish this, ODE should collect data from sponsors regarding the real costs of quality sponsorship for various sizes, types, and ages of charter schools in Ohio. Based upon such data, and input from the Community School Advisory Council, ODE should recommend to the Legislature a specific state-funded sponsorship fee structure by no later than December 31, 2007. Outside financial experts will likely be needed to support ODE and the Advisory Council in the task of collecting such data and offering funding recommendations.

Once adequate funding for quality sponsoring is established, it is essential that state backing be provided to cover those costs. Charter schools in Ohio presently operate with about 30 percent less public dollars than traditional district schools and, until funding parity is obtained, monies to support the work of sponsors should *not* come from the operating budgets of schools, but rather from earmarked state funds distributed by ODE.

Overall, a new state-funded system for supporting sponsors (and the new state sponsor evaluation system applied to all sponsors) will level the funding and accountability playing field and discourage schools from shopping around for the cheapest price (which may also come with the easiest contract terms).

FUND CHARTER SCHOOLS FAIRLY

Background

Charter school funding in Ohio remains worryingly low and markedly less than district schools receive. A 2005 national study, including data from Dayton and Cleveland, found that Ohio charter schools on average receive some 31 percent less than traditional district schools (an average of \$2,564 per student).¹³ In Dayton, the gap was even greater. In 2002-03, that city's charters received 34 percent less funding than district schools – \$7,614 as opposed to \$11,498 per pupil, respectively, for a gap of \$3,028 per pupil.

This funding gap has made it especially difficult for traditional charter high schools to open in Ohio. There has been a proliferation of dropout-recovery high schools in part because of their ability to access federal vocational education dollars, but there is no similar pool of additional funds for college prep high schools.

The primary culprit in the funding disparity is charter schools' lack of access to local tax dollars, which are a critical source of funds for Ohio district schools. As with districts, the state calculates a base amount (with supplements) for each charter school including: base-cost funding, special education and vocational education weights, handicapped pre-school and gifted units, parity aid, and Disadvantaged Pupil Impact Aid (which House Bill 66 renamed "poverty-based assistance"). These payments are deducted from the state aid accounts of the districts where the charter students would otherwise attend school, then paid directly to the school by ODE.

Yet charter schools do not have access to three sources that districts tap to supplement their state funding. First, districts levy additional taxes to provide funds above and beyond the foundation level. Local governments have authority (with voters'

approval) to add to the statewide sales tax rate of 5 percent for the purpose of providing additional county and local public services, including education. Typically, that increase is between 0.75 percent and 2 percent. Local districts also have the ability to levy property taxes to supplement both school operations and facility costs. However, none of these funds, voted by constituents to support the public education of children residing in their district, follow the child to charter schools. They remain with the district even though the student is now being educated within a charter school.

Second, charter schools lack access to state capital funds provided by the Ohio School Facilities Commission (OSFC), which has disbursed more than \$4 billion to districts since 1997 for the renovation and new construction of school facilities. Its primary program, the Classroom Facilities Assistance Program, allows districts (but not charter schools) to obtain funds for school building improvements.¹⁴ The OSFC pays for its capital projects with funds appropriated by the General Assembly and bonds sold by the state. Additionally, the General Assembly has committed to OSFC a substantial portion of the funds the state has received and expects to receive from the national settlement with tobacco companies. More than half of the state's districts have received funding through the OSFC's programs. Yet charter schools do not have access to these programs.

Third, charter schools in Ohio lack access to programs that provide lower cost borrowing to charter schools elsewhere and to district schools in Ohio. For example, many other states have authorized public and quasi-public entities to serve as "conduits" for charter schools, issuing debt on their behalf that is tax-exempt and less expensive for schools. In addition, charter schools lack access to the "Ohio State Aid Intercept Program" used by districts to support their bond issuance. This pro-

gram enables state aid to be paid directly to bond holders, reassuring them that they will be repaid in a predictable and timely fashion.

Without access to local or OSFC funds, charter schools must dig into their already limited operating dollars to pay for school buildings – money intended by state policymakers to fund teachers and other day-to-day costs of schooling. Though the Legislature established a loan guarantee program for charter schools, its scope is limited and falls far short of rectifying this fundamental inequity in Ohio’s system of funding charter schools.¹⁵ Almost all of the funds have been used, and the OSFC is currently not planning another round of loan guarantees for charter schools. Districts are encouraged by law to provide vacant buildings in charter schools, but in practice, few have done so for non-district charter schools. As a result, charter schools typically pay for facilities out of their operating funds. According to a May 2006 analysis by Keys to Improving Dayton Schools (k.i.d.s), charter schools statewide typically spend an average of 10 percent of their operating budgets on facility expenses,¹⁶ while little if any operating funds are spent on facilities by district public schools.

Some charter schools are able to make up a fraction of the shortfall with private fundraising, but grants and donations do not come close to covering the funding gap. As a consequence, charter schools in Ohio must make do with less day-to-day funding

than their district counterparts, to the tune of nearly \$600,000 per school per year. Thus, the children attending these public charter schools do not receive an equitable share of the resources that the taxpayers devote to public education in Ohio. Claims that charter schools are somehow siphoning off an unfair share of public dollars are belied by the evidence.

Transportation demands have created additional pressure on both charter schools and districts. Under Ohio law, districts are required to transport all public and private school students. Some districts, however, are neglecting some students, asserting that bus transport for them is impractical and expensive. At the beginning of the 2005-06 school year, hundreds of charter students in Columbus were scrambling to find other ways to and from school because the district is no longer providing them with transportation. In Trotwood, a small district outside Dayton, mandated bus transportation to 50 different district, charter, and private schools has left district officials overwhelmed.

If charter schools are to have a fair opportunity to provide high-quality education alternatives to needy Ohio children, their funding mechanisms need to be restructured. Below are a series of recommendations designed to address the enduring challenge that charter schools face in accessing affordable and viable facilities and to bring charter funding to reasonable parity with district funding.

RECOMMENDATIONS

- 9 **Support the creation of the Ohio Charter School Facilities Foundation which:**
 - (a) should receive a proportionate share of future capital bonds provided to the Ohio School Facilities Commission for distribution to charter schools;**
 - (b) participates in a state aid “intercept” program on behalf of charter schools (where state aid needed by charter school to repay loans is sent directly to this new Foundation);**
 - (c) provides necessary oversight so the Legislature can remove the 15-year borrowing term limitation for charter schools; and**

(d) is eligible to receive funds from bonds issued by conduit bond authorities for charter school debt handled by the Foundation.

The charter school facility challenge in Ohio is multifaceted. Most schools lack the credit history, scale, and legal status to obtain facilities financing at affordable rates on their own. Many of their staffs and boards lack the expertise to negotiate the complex world of facilities development and finance. And the state is naturally eager to ensure that any investment in charter school facilities be prudent and well thought out with appropriate safeguards to manage and protect the state's investment.

All of these challenges could be economically and efficiently addressed via a single mechanism, modeled after several existing state and federal programs: a special-purpose nonprofit entity whose mission is to ensure that every deserving Ohio charter school has access to safe, suitable, affordable space. Such an entity would combine aspects of several successful national programs funded by the U.S. Department of Education and Ohio entities like the Southern Agricultural and Community Development Foundation (created for the benefit of Ohioans to lessen the impact of reduced tobacco production) and the Ohio Higher Educational Facilities Commission (which provides financing services and support for Ohio's private universities and colleges).

Another similar program where an Ohio nonprofit organization operates programs through state appropriations is the Ohio Community Development Finance Fund, which has run several community development programs through contracts with the Departments of Development and Education. Efficiency and leverage of state dollars come from utilizing the state investment to provide loan guaranties rather than paying dollar-for-dollar for facilities directly.

Such an organization could play numerous roles, including:

- arranging low-cost financing for charter schools through loans, bond issues, and leases that stand-alone charter schools would not have sufficient credit strength to arrange on their own;
- providing "credit enhancement" for charter school financing through the use of pooling, cross collateralization, loan loss reserves, guarantees, insurance, and other vehicles;
- purchasing, leasing, and/or renovating facilities for lease or sale to charter schools;
- maintaining ownership of facilities for developing schools until they are well established and have a proven track record, as well as recycling facilities for charter schools that close or move, making those available to other charter schools;
- providing technical advice and consulting to charter school leaders and boards on facilities design and construction issues;
- raising additional private and public funds to support all of the above activities; and
- assuming the management of the existing Loan Guaranty Program currently operated by the Ohio Schools Facilities Commission.

Similar organizations in locations such as Delaware (Innovative Schools Development Corporation), New York (Civic Builders), Los Angeles (Pacific Charter School Development), and Washington, D.C. (EdBuild) have demonstrated that these entities can provide enormous benefits to charter schools. They

reduce school costs, freeing up funds for instruction. They provide valued expertise, resulting in better facilities and smarter financing. And they take the substantial burden of facilities development and financing off the shoulders of school leaders and board members, allowing them to focus on providing a great education for their students.

Such an organization in Ohio would also provide important advantages to state policymakers. Through its expertise and coordination, the entity would help to ensure that public funds spent on charter school facilities are used as efficiently and effectively as possible. State funds, rather than being spent directly on facilities, would be used to provide loan guaranties resulting in a high degree of leverage and a more efficient use of state dollars. In addition, by being in position to reallocate facilities from closed charter schools to other schools, the organization would keep charter school buildings as part of Ohio's stock of public school buildings, rather than passing them onto other uses.

This kind of organization could be formed immediately as a new nonprofit organization, or an initiative of an existing one, without any action by Ohio policymakers. It could be self-sustaining over time by building its own administrative costs into the leases and financings it arranges for charter schools. Four policy actions, however, would dramatically enhance the organization's ability to achieve its mission.

First, the Legislature should allocate a share of future capital bond issues that provides capital to the Ohio School Facilities Commission to the new Ohio Charter School Facilities Foundation. This share should approximate the proportion of Ohio public school students attending brick-and-mortar charter schools (rather than e-schools). Allocating these funds would ensure that charter pupils receive their fair share of this vital state funding stream. Using the special-purpose entity would get the job done in a way that avoids placing undue burden on the OSFC and allows the funds to be used flexibly in accord with the state's commitment to charter school autonomy. This structure would mirror the very successful federal charter school credit enhancement programs, which have leveraged hundreds of millions of dollars in charter school facility financing by working through nimble nonprofit organizations.

Second, the Legislature should make it possible for charter schools to adopt a state aid intercept program appropriate for charter schools, allowing state aid to be paid directly to the Ohio Charter School Facilities Foundation. Currently, state funds flow directly to charter schools, which must then make payments to their lenders and landlords. This two-step allocation introduces one more element of uncertainty for lenders and landlords who may already regard charter schools as high risk. Much like some employers automatically deduct employees' retirement contributions from their paychecks and send them directly to retirement funds, an intercept program would enable the state to send funds directly to a lender or landlord, or to an intermediary like the proposed Foundation. States such as Michigan and Colorado have used intercept mechanisms successfully to reassure lenders that their charter school obligations would be repaid.

Third, the Legislature should remove the 15-year borrowing term limitation for charter schools, providing authority for these schools to borrow money and issue debt obligations directly using the same current maximums allowed for Ohio municipalities and school districts. In addition, Ohio should specifically allow the property that is financed to be mortgaged and pledged as collateral. Current limitations make it difficult for Ohio to attract financially strong providers to open charter schools, and they create problems for strong schools seeking financing. Shorter borrowing terms stretch a charter school's limited dollars even further. Other states allow charters to borrow for longer terms and to pledge property as collateral. What they have learned is that providers of capital are becoming more familiar with the charter market and are capable of making informed credit decisions. If a charter is not credit worthy for a longer

borrowing term, market forces and the continuing oversight of the new Ohio Charter School Facilities Foundation will provide the necessary discipline.

Fourth, the Legislature should provide authority for county and local governments to be “conduit” issuers for charter school debt handled by the Foundation. By creating clear statutory authority for county and municipal governments, including ESCs and port authorities to act as conduit issuers of tax-exempt revenue bonds for charter schools, Ohio would provide schools with both greater access to and a lower cost of capital. Granting this authority would build on Ohio’s well-established practice of allowing these entities to issue industrial development bonds used for economic development purposes. It would also follow the lead of many other states, such as Colorado, Indiana, and Texas, which have empowered existing entities to serve as tax-exempt financing conduits for charter schools.

These recommendations would give charter schools significantly greater access to financing on terms closer to those that school districts take for granted. But it would do so in a way that protects the public interest by having funds flow through the nonprofit Foundation rather than directly to charter schools.

10 Create incentives for school districts to provide high-quality charter schools with facilities.

Since the current law’s requirements are manifestly insufficient to induce districts to offer facilities to charter schools, Ohio should provide more substantial incentives.

As one example, districts that provide a facility to an independent charter school located within district boundaries could have the option of including the school’s test results within its own results for ranking and evaluation purposes. To qualify, a district would have to complete a lease agreement on mutually acceptable terms. No charter school would be required to rent space offered by a district, and as a result, districts would have to offer terms that charter schools find acceptable in order to qualify for this benefit. This provision would encourage districts to provide facilities, but only to academically strong charter schools.

This possible incentive, as well as others, should be explored by the new Community School Advisory Council and/or the Charter School Facilities Foundation board.

11 Push charter school funding closer to parity with district schools by the state directly providing charter school pupils the same level of operational funding on a per-pupil basis.

There are many ways to ensure that Ohio charter schools receive 100 percent of state and local operational funding. All involve providing that funding directly from the state (charter schools already receive their full federal funding this way). For example, the state could calculate the per-pupil amount that a district receives from all state and local sources. If a child from that district chooses to attend a charter school, the state would then send that full amount to the charter school, deducting the same sum from its allocation to the district of residence. This means that if per-pupil student revenue (including both local and state funding) is \$8,000 in a district, for example, the state would deduct \$8,000 from its allocation to the district for each of the district’s students who attend a charter.

The precise amount that follows each child would ideally be “weighted” based on the student’s needs and characteristics, with students who have greater educational needs receiving more funding.¹⁷ The base amount sent to each charter school could vary by district, or each charter school could receive the same

per-pupil amount (based upon a statewide average). Via any of these approaches, Ohio could move charter schools closer to parity, giving them more dollars for classroom instruction and allowing funding to follow the child on a per-student basis.

Other states have leapfrogged Ohio in this area, developing school funding systems that have pushed charters and districts closer to parity. In Minnesota, charter schools receive nearly 100 percent of operations funding.¹⁸ While they do not have access to local revenue from property taxes or bond revenues, they do receive state funding based on the statewide average property tax to help compensate for the lack of access to local revenues. As another example, New Mexico charter schools receive funding equal to at least 98 percent of the “school-generated program cost” (actual costs that schools incur for providing programs). Funding for charter schools in New Mexico is further bolstered by state start-up funds for new charters. These states demonstrate that near parity in funding can be achieved.

Equalizing charter school funding is the correct policy move, but may be costly. In 2005, a national study comparing charter school revenues with those supporting district schools found that, on average, district schools in Ohio received at least \$2,564 more per pupil. Combining the difference between what districts and charters receive per pupil (\$2,564) with the number of students enrolled in charter schools in 2005-06 (70,598) leads to the conclusion that bringing charter schools close to equivalence with district schools would require more than \$180 million. Some of that could be reallocated from other uses, but some new money would likely be required. To make parity more feasible, the Legislature could phase in a move toward equality over time. Equity comes with a price tag, but all of Ohio’s children have the same right to a decent public education. And that includes equitable funding for that education.

12 Allow ODE to provide the full amount of state transportation funding directly to charter schools, if such schools elect to transport children independently of districts or if districts refuse to provide charter schools with transportation.

Current Ohio law is generally strong on paper in that it requires school districts to provide transportation for charter and private school students residing in their boundaries. Enforcement, however, is difficult in that there is little that ODE can currently do if a district chooses not to transport such students. Therefore, it is essential to grant ODE the legislative authority needed to provide direct transportation funding to charter schools, if such schools elect to transport their own students or if districts choose not to provide such transportation. This might give districts a greater incentive to provide transport, since any direct charter funding would be deducted from their transportation dollars currently received from the state on a per-pupil basis.¹⁹

13 Require all state and federal start-up funds to be paid back to the state in full for any charter school that is reabsorbed by a school district.

The federal Charter School Program fund is a critical source of help for the start-up and implementation of new charter schools in Ohio. Start-up grants totaling \$150,000 per year over a three-year period are provided (up to \$450,000 per school). Since the first grant was awarded in 2002, Ohio has distributed more than \$90.7 million. In 2004-05, Ohio received slightly more than \$22 million and, in 2005-06, the amount increased to \$25.2 million. The state also provides its own planning and start-up grants of up to \$50,000 per school.

Unfortunately, some Ohio charter schools may have been formed in order to take advantage of these funds, especially those whose programs and students are reabsorbed into districts once the start-up funding terminates. Districts may find the federal start-up funds to be particularly attractive, and some have been accused of developing charters “in name only,” then reverting funds back to the district after reabsorbing such charters. To date, nine conversion charter schools (out of 58 total) have been closed by their districts: three schools closed after one year of operation; two schools after two years of operation; three schools after three years of operation; and one school after four years of operation. To what extent these programs were reabsorbed into their districts (as opposed to completely closed) is unknown. Another school operated for seven years and then was reabsorbed by its sponsoring district.

To ensure that scarce start-up funds are only available to those committed to charter schools, Ohio should require a district that closes and then reabsorbs the charter school after the start-up period, to repay in full the state and federal start-up funding provided to that school. If the district has already spent the funds, it should still be obliged to repay the total amount using local funds. This policy would help ensure that districts are committed to seeing their charter schools succeed and not benefit from their failure.

HELP OPEN QUALITY CHARTER SCHOOLS

Background

The spread of charter schools in Ohio has been steady since the first 15 opened in 1998. The following year, the number of charter schools more than tripled and, by 2005-06, 304 charter schools were in operation. (See Table 1 in the Introduction.)

This rapid growth and concerns over quality issues led to a series of temporary caps on the number of allowable charter schools in the state. The first was enacted in 2002 (via House Bill 364), allowing no more than 225 charter school start-ups (with that cap expiring in June 2005). The second was enacted in 2005 (via House Bill 66) establishing new statewide caps (until July 1, 2007) on the number of new schools sponsored by districts and non-districts (no more than 30 more schools for *each* group of sponsors beyond the number operating in May 2005).

House Bill 66 also placed caps on the number of schools that any given sponsor can charter. Sponsors with 50 or fewer schools (as of May 2005) may sponsor up to 50 schools; sponsors with 51-74 schools may not sponsor any additional schools; and sponsors with more than 75 schools may not sponsor any additional schools and must decrease the number of their schools by one for every school that permanently closes until the number of sponsored schools is 50.

There is an exception to the current state caps. Charter school operators (known as EMOs or CMOs) already running high-performing schools are allowed to open additional schools beyond the state cap (one additional school per existing high-performing school they operate). This means that, for every charter school rated in the top three categories of Ohio's school rating system (Excellent, Effective, and Continuous Improvement), a given

operator may open an additional school (as long as it can find a sponsor who still within its own cap).²⁰ Charter school operators with schools in other states that have equivalent quality ratings can also work with a sponsor to open schools in Ohio that exceed the state cap on start-ups, again, provided the sponsor has space under its own cap.

While these exceptions are a valid approach to allow additional quality charter schools to open, the current definition of operator is overly restrictive. Highly successful school networks, such as KIPP (Knowledge is Power Program), are precluded from utilizing these exceptions because they are not technically operators of schools under Ohio's statutory language.

House Bill 66 also created a moratorium on new e-schools (publicly funded online schools) until standards are adopted by the Legislature. In 2005-06, Ohio had 40 e-schools in operation serving 21,000 students, with 34 of these operated by districts. The remaining six are sponsored by the Lucas County ESC, the Ohio Council of Community Schools, and the Tri-Rivers Career Center.

Finally, geographic restrictions limit chartering to certain parts of the state. While these limits focus chartering on high-need areas, there are likely to be students needing options in all kinds of Ohio communities, even in places where schools overall are doing well. Certainly there is additional capacity needed in more communities to fulfill the NCLB pledge that youngsters otherwise trapped in low-performing schools be able to opt into higher-performing district or charter schools.

Overall, statewide caps, the e-school moratorium, and the geographic restrictions, while possibly stopping poor performers from opening, also have the unintended consequence of blocking schools with a high likelihood of success. They do nothing

to advance charter quality in Ohio. Artificial caps on the number of new charter schools are unnecessary and counterproductive, especially with the introduction of the state’s sponsor evaluation system and implementation of the accountability recommendations in this report.

RECOMMENDATIONS

14 Modify existing provisions that allow exceptions to the state cap to:

- (a) expand the existing definition of a charter operator to include other organizations that are responsible for the operational design or daily operations of charter schools; and**
- (b) require operators to be considered successful only if more than half of the schools they operate meet the state’s standards for quality.**

Under the current exceptions to the state caps, certain highly accomplished organizations with a history of strong performance are not allowed to open schools in Ohio because they do not technically operate schools. The current definition of operator makes it impossible for successful “franchise” models (i.e., school models that provide significant support, but do not run the daily operations of a school, such as KIPP and the Big Picture Company) to open schools in Ohio unless they take on the responsibilities of “managing the daily operations of a community school” as defined in a contract with the school’s governing body. An organization like Edison actually operates charter schools in various sites. KIPP, by contrast, provides assistance and quality control to locally operated schools that follow its model, but does not employ staff or have executive authority over the school.

Blocking entry to Ohio of successful models like KIPP makes no sense given Ohio’s interest in securing more successful school models (especially for urban children to attend). To this end, the current definition of operator needs to be modified to include both organizations that manage the daily operations of a charter school and those that “provide programmatic oversight and support to the school and that may terminate their affiliation if the school falls short of its quality standards.” This definitional change is doubly important if any statewide caps remain on the number of charter schools. At the same time, if caps remain in place, operators should only be considered successful if more than half of the schools they operate, not just a few, meet the state’s standards for quality.

15 Remove the state-level caps on charter schools.

State-imposed caps are severely constraining charter school growth in at least 11 states, including Ohio. Such artificial restriction on charter expansion does not correlate with increased quality, but does limit access to potentially high-quality school choices for students and families. Policymakers should not limit the opening of quality charter schools. The only principled, student-centered argument for a cap on charter schools is to block poor schools from opening. Yet that approach, clumsily applied, also blocks the good charter schools that can have a positive impact on the lives of children.

Better strategies for dealing with poor performance in charter schools are recommended in this document and include strengthening sponsorship, shutting down chronically low-performing schools, and holding all schools accountable. With the advent of strong school and sponsor accountability systems as recommended in this document, charter caps are unnecessary.

16 Eliminate geographic restrictions on where new charter schools can be located.

Since the beginning of Ohio's charter legislation, geographic restrictions have constrained charter development. Currently, new charter schools allowed under the cap may only be physically established in districts that are in Academic Watch or Academic Emergency. Yet children beyond those restrictions are often trapped in persistently failing schools and/or in schools that fail to meet their needs. Families in the rest of the state have a right to access charter schools that can meet those needs and serve as centers of innovation that may spur districts to excel. The Legislature should amend the law to allow for creation of new quality charters statewide.

17 Remove the moratorium on e-schools, following revision of the e-school standards adopted by the State Board.

House Bill 66 created a moratorium on new e-schools until standards for such schools are adopted by the Legislature. Like the other caps, this moratorium constrains charter schools and traditional public schools alike from innovating and improving student performance. In particular, hybrid and blended instruction which allows students attending e-schools to participate in band, for example, and other hands-on courses from a site-based public school are currently impermissible. Early research shows that virtual schools can re-engage students who were previously struggling in or frustrated by district schools, provide flexibility and choice for children and teachers (any time, anywhere learning), and give students access to education and technology that they might not receive otherwise (e.g., serving students in remote areas by providing computers and high-speed Internet access).²¹

During 2004-05, the State Board adopted a set of e-school standards, but these were never ratified by the Legislature. As a result, the moratorium remains in place. To this end, it is recommended that ODE engage the Community School Advisory Council and e-school experts in a review of its proposed standards and revise them as needed.²² The focus of that review should be on standards that ensure accountability for results, rather than detailed prescriptions about how e-schools should carry out instruction. E-schools are, by design, very different from brick-and-mortar institutions, and state rules should not seek to force them into the traditional mode.²³ Following those revisions, the Legislature should adopt these standards so that the moratorium on e-schools schools can be lifted.

As part of this review, Ohio may wish to look east to Pennsylvania, where the State Department of Education authorizes and oversees electronic charter schools and has developed a series of standards that all e-schools must meet. That state requires each e-school document how much online time it requires; how teachers deliver instruction and interact with their students via online methods; what equipment is provided and/or required; how the school day is defined; what technical support is provided; how privacy is maintained; what methods are used to ensure authenticity of student work; and how its curriculum and assessments are aligned with the Pennsylvania academic standards. Like other charter schools, e-schools charter pupils participate in state assessments and are held to the same accountability standards. In addition, districts can no longer authorize or oversee e-schools in Pennsylvania and are obligated to forward per-pupil funding allotments to e-schools for students from their district that opt to attend such a school.²⁴ While some of the Pennsylvania provisions may appear overly prescriptive with regard to how e-schools provide instruction, overall they offer a helpful model for Ohio policymakers to adopt.

CONCLUSION

Charter schooling in Ohio has reached a critical juncture. The first decade of growth demonstrated the state's strong demand for the charter option. A subset of outstanding charter schools and overall progress in school performance illustrates the compelling promise that charter schooling holds for all children. At the same time, too many barriers stand in the way of realizing this vision on a broader scale.

- There are still too many poorly performing charter schools.
- High-performing charter schools labor under too many burdensome reporting and compliance requirements.
- Most sponsors (overseeing 62 percent of charter schools) are not required to participate in the state sponsor evaluation system.
- Charter schools remain woefully under-funded relative to their district counterparts.
- Caps on the number of charter schools place arbitrary limits on the growth of quality charter schools in Ohio.
- No current process for formal, consistent input from the field and experts is available to help guide the important work of ODE and the State Board in reference to quality schools and sponsors.

Unless Ohio addresses these issues swiftly and decisively, the reality of charter schooling in the Buckeye State will fall short of the potential. At the same time, Ohio policymakers have a tremendous opportunity to make charter schooling the kind of high-quality public school option that Buckeye State children, parents, and citizens crave.

ENDNOTES

¹ District averages are weighted in proportion to the number of charter students in each grade and district. This weighting ensures an apples-to-apples comparison by giving more weight to grade levels and districts with larger charter enrollments. For example, if a district's charter school third graders made up 5 percent of overall charter school enrollment in the Ohio Eight, that district's third grade passing rates would be weighted 5 percent in the calculation of the Ohio Eight-wide average. The resulting Ohio Eight-wide average is thus the appropriate point of comparison to the overall Ohio Eight-wide charter average. For a detailed explanation of this weighting approach, see www.publicimpact.com/ohioscores.php.

² Most recently reported data are for 2004-05 and 2005-06.

³ The aggregate data for all Ohio Eight district schools are weighted by the percentage of charter students in each district and in each grade. For example, if a district's charter school third graders made up 5 percent of overall charter school enrollment in the Ohio Eight, that district's third grade passing rates would be weighted at 5 percent in the calculation of the Ohio Eight-wide average. This weighting assures that scores are averaged in accord with the size of the charter populations in particular districts and grades. The resulting Ohio Eight-wide average is thus the appropriate point of comparison to the overall Ohio Eight-wide charter averages. In that calculation, when a school had fewer than 10 students in a particular grade and subject, the Ohio Department of Education (ODE) data exclude that school's results from the data on that grade and subject. For a detailed explanation of this weighting approach, see <http://www.publicimpact.com/ohioscores.php>.

⁴ Ibid.

⁵ The table below explains the Ohio school ratings system.

School Performance Ratings for Ohio's Current Accountability System					
Ratings	State Indicators Met		Performance Index Score*		Adequate Yearly Progress Requirements
Excellent	17 -18 or 94% - 100 %	or	100 to 120	and	Met or Missed AYP
Effective	14-16 or 75% - 93.9%	or	90 to 99	and	Met or Missed AYP
Continuous Improvement	0-13 or 0% - 74.9%	and	0 to 89	and	Met AYP
	9-13 or 50% - 74.9%	or	80 to 89	and	Missed AYP
Academic Watch	6-8 or 31% - 49.9%	or	70 to 79	and	Missed AYP
Academic Emergency	0-5 or 0% - 30.9%	and	0 to 69	and	Missed AYP
<p><i>The Performance Index Score is a weighted average of all tested subjects in grades 3, 4, and 6. The most weight is given to the advanced students (1.2), and the weights decrease for each performance level. This creates a scale of 0 to 120 points, with 100 being the state's goal. The Performance Index Score over time shows trends in school achievement.</i></p>					

⁶ Dropout-recovery schools serve high school students “between sixteen and twenty-two years of age who dropped out of high school or are at risk of dropping out of high school due to poor attendance, disciplinary problems, or suspensions.” Hanes, Todd. (December 2005). “Letter to Community Schools”, Columbus, Ohio: Ohio Department of Education. Available online at: <http://www.ode.state.oh.us/GD/DocumentManagement/DocumentDownload.aspx?DocumentID=3195>

⁷ Currently, all dropout-recovery charter high school students must pass the Ohio Graduation Test (OGT), but are exempt from state curriculum requirements.

⁸ Average Yearly Progress (AYP) measures required by the No Child Left Behind Act (NCLB) will still be calculated using only student achievement scores. However, that could change if Ohio’s plan is accepted for a federal pilot program to measure growth--using a value-added model.

⁹ A challenge with value-added programs in Ohio is that the only assessment given to high-school aged students is the Ohio Graduation Test, which is administered in the 10th grade. The test can be used only to show individual student growth if students have to take the test more than once. If students, however, pass the test initially, there is no additional assessment at the high school level for year-to-year growth.

¹⁰ Louann Bierlein Palmer (2006, forthcoming). *“Alternative” Charter School Authorizers: Playing a Vital Role in the Charter Movement*. Washington, DC: Progressive Policy Institute.

¹¹ See for example: Rebecca Gau (2006). *Trends in Charter School Authorizing*. Washington DC: Thomas B. Fordham Institute. Available online at: <http://www.edexcellence.net/institute/publication/publication.cfm?id=355>

¹² EducationEvolving (2005). *The Cost of Sponsoring of Minnesota Chartered Schools*, St. Paul, MN. Available online at: http://www.educationevolving.org/sponsors/pdf/Cost_of_Sponsoring_Feb05.pdf#search=%22The%20Cost%20of%20Sponsoring%20of%20Minnesota%20Chartered%20Schools.%22

¹³ Charter School Funding: Inequity’s Next Frontier (2005). Washington, DC: Thomas B. Fordham Institute, Progress Analytics Institute, and Public Impact.

¹⁴ The Ohio School Facilities Commission (OSFC) oversees 12 facilities programs, including the Accelerated Urban Building Assistance Program (funding program for the Ohio Eight districts), Exceptional Needs School Facilities Program, and the Vocational School Facilities Assistance Program.

¹⁵ The OSFC administers the Community School Classroom Loan Guarantee Program. This program does not provide facility funds directly to charter schools. Instead, the Program offers state credit enhancement for facility improvement loans, which improves a school’s creditworthiness. Through this initiative, the OFSC may guarantee for a maximum of 15 years up to 85 percent of the principal and interest on a loan made to the governing authority of a charter school. The guarantee cannot exceed \$1 million for improvements to a building owned by the school, or \$500,000 for improvements to property being leased by the school. As of the end of FY2005, the OSFC has entered into guarantee agreements with 14 charter schools for a total commitment of \$7,608,354.

¹⁶ This figure is from an internal financial review document created for the sponsor, the Thomas B. Fordham Foundation, and the nine schools it sponsored in 2005-06.

¹⁷ A more detailed discussion of weighted student funding can be found in the Thomas B. Fordham Institute’s *Fund the Child: Tackling Inequity & Antiquity in School Finance* (2006). Available online at <http://www.100percentsolution.org/fundthechild/index.cfm>

¹⁸ Funding is based on the average state per-pupil revenue.

¹⁹ In 2006, the average transportation cost for traditional districts is \$516 per student, according to the Ohio Department of Education.

²⁰ The ODE does not maintain a list of schools with operators/management companies, so it is impossible to predict how many of these newly “successful” schools could spin-off a new school.

²¹ Amy Berk Anderson (2005). *Summary Report on Virtual School Activity*. Denver, CO: Augenblick, Palaich, and Associates. Available online: <http://www.apaconsulting.net/Flash/papers/virtual2.pdf>

²² As experience grows with chartering e-schools, there is an expanding base of knowledge and wisdom about the best ways to approve and oversee such schools. See the National Association of Charter School Authorizers’ issue brief on this topic. Gregg Vanourek (2006). *Authorizing Virtual Charter Schools: Rules of the Road on the Digital Highway*. Washington, DC: National Association of Charter School Authorizers.

²³ For example, district boundaries make little sense in the e-school environment. Around the nation, most of the leading e-schools (charter and non-charter) are at least statewide.

²⁴ *Cyber Charter School*, (2003). Education Commission of the States. Available at: <http://www.ecs.org/clearinghouse/44/13/4413.htm>.