KNOWYOURCHARTER
How Ohio Charter Schools are performing

E-SCHOOLS: OHIO'S BADDEST APPLE

POOR PERFORMING, PROFITABLE AND POWERFUL

With recent revelations that one of Ohio's largest online charter schools (or "E-Schools") – the Ohio Virtual Academy (OHVA) – was apparently paid for students who should have been dis-enrolled for chronic absence[1], it is important to examine how Ohio's E-Schools are a significant drain on the state's education dollar and account for many of the problems that plague Ohio's poor-performing charter schools.

Four years ago, Innovation Ohio authored a groundbreaking look at Ohio's E-Schools and found that the state was grossly overpaying these schools while their operators provided huge campaign contributions to Ohio lawmakers.[2]

The report has been repeatedly cited nationally as one of the country's few reports to look at E-School funding and performance[3].

Through its collaboration with the Ohio Education Association and the Ohio Charter School Accountability Project, Innovation Ohio has taken another look at Ohio's E-schools. While some E-Schools have seen slight performance improvements, the situation has gotten worse because now 10,000 more students attend and an additional $70 million are being spent on schools that, on average, graduate barely 35% of their students.

And this finding is not unique. Stanford's Center for Research on Education Outcomes (CREDO) and others recently determined that Ohio's E-Schools are a main drag on Ohio's overall charter school performance[4].

And, in fact, the data show emphatically that Ohio's E-Schools are a significant contributor to Ohio's overall poor charter school performance.

1. **More than half of the money going from better performing Ohio school districts to worse performing charters goes to 6 statewide E-Schools**

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[1] "Is an Ohio on-line charter school inflating enrollment?" WKSU May 7, 2015.
[2] "Ohio E-Schools: Funding Failure; Coddling Contributors," Innovation Ohio, May 21, 2011
[3] Ravitch, Diane. *Reign of Error: The Hoax of the Privatization Movement and the Danger to America's Public Schools*. First edition. New York: Alfred A. Knopf, 2013.
[4] "Charter School Performance in Ohio," Center for Research on Education Outcomes, December 9, 2014

2. **98% of all the children attending charters that performed worse than their feeder districts on all the state's report card measures went to the same six statewide Ohio E-Schools – at a cost of $72 million**
3. **Local Ohio taxpayers have had to subsidize $104 million of the cost of Ohio E-Schools because students in E-Schools receive so much more per pupil funding from the state than would their local public school.**

Several provisions in Senate Bill 148 – currently before the Ohio Senate – would address some of the most pressing accountability needs in the E-School sector. However, they do not address the most glaring need – the need to reform how the state pays for its E-Schools.

E-schools, in theory, can be a useful alternative for some students. At their best, E-schools could help the public education equation[5]. Ohio parents shouldn't feel their child is trapped, nor should any Ohio child have an unproductive educational experience.

At the same time, however, it is critical that legislators ensure public money is spent wisely. It can't be wasted on "alternatives" that deliver worse results than the schools they were supposed to supersede. In the absence of strict accountability and oversight, E-Schools can bring false hope to the children, parents, and taxpayers who were counting on them.

In Ohio, E-Schools have grown significantly in enrollment since their inception in the 2000-2001 school year when the Electronic Classroom of Tomorrow (ECOT) enrolled nearly 2,200 students. Last school year, the statewide E-Schools accounted for more than 35,000 students.

A Short History of E-Schools

From the beginning, E-Schools have had trouble accounting for students. In fact, ECOT, the state's first E-School, was one of the few charter schools rejected by the Ohio State Board of Education during the early days of the charter school program because board members had concerns about the school's ability to account for its students[6].

Turned down by the state, ECOT went sponsor-shopping and found a friendlier one. Within a year, State Auditor Jim Petro discovered that ECOT had been paid $1.7 million for children it couldn't prove it had.[7]

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[5] Though, to date, scant evidence exists as to their true efficacy on student achievement
[6] Tortora, A. *Electronic classroom offers curriculum via the Internet*. Cincinnati Enquirer, Sept. 3, 2000.
[7] Petro, J. *Electronic Classroom of Tomorrow Franklin County Special Audit*. Nov. 13, 2001.

About 15 years later, this is what appears to be happening at OHVA.

Since 2000, E-Schools have received well over $1 billion from the state that was originally slated to go to school districts. In return for this money, E-schools have delivered extremely poor student achievement results. And while the statewide E-Schools perform only slightly better overall than they did in the 2011 report, the tepid improvement is significantly tempered by the $60 million annual increase in their funding over the same period. In fact, the sector has grown from a $115 million program in 2006 to a $250 million program in 2014. At the same time, local taxpayers have been forced to subsidize their substandard performance.

Ohio's E-School Performance

No statewide E-schools received a single A or B on the state report card for last school year.[8] The chart below demonstrates just how poorly they perform. And none of these grades include the E-schools that are dropout recovery schools, which now have their own accountability measures. Prior to the new dropout recovery measures, dropout recovery schools were the state's lowest performing charter schools.

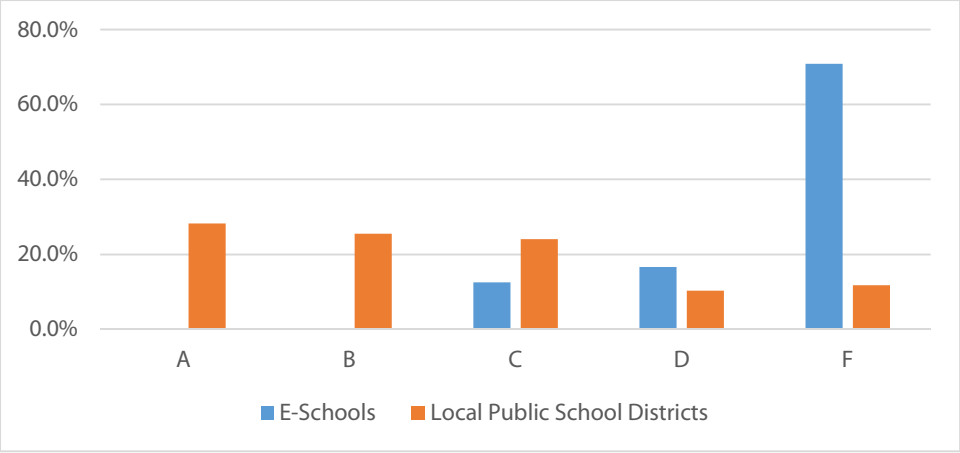

Figure 1: Report Card Performance by School Type

By contrast, more than *75 percent* of local public school students attend schools with at least one B or better.[9]

[8] In the 2011 IO report, Ohio did not have its A-F report card system yet. So direct performance comparisons on report card measures can't be made between the years.
[9] According to Ohio Department of Education report card data.

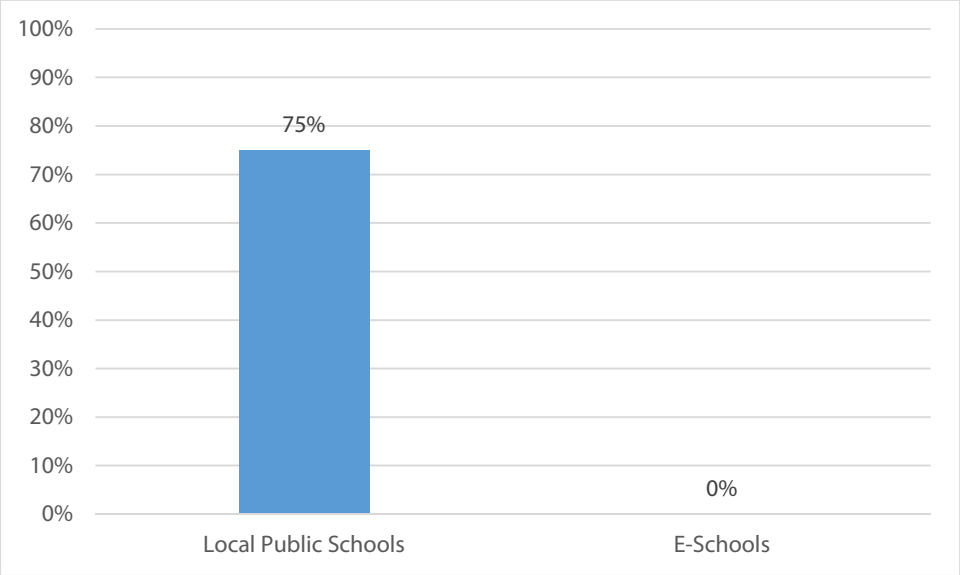

Figure 2: % of Students in Buildings with at least one B on Report Card

Other metrics also indicate E-Schools are vastly underperforming.

For example, of the nine statewide E-Schools[10] – schools whose students come from all over the state and account for about 90% of all E-School enrollment – none have a four-year graduation rate higher than the lowest school district, Warrensville Heights, at 60.9%.

Charter / District	Four-year graduation rate 2013-2014
State Median	*93.2*
Cleveland Municipal School District	*64.3*
Warrensville Heights	*60.9*
Ohio Connections Academy	55.1
The Buckeye Online School of Success	45
Greater Ohio Virtual Academy	43.5
Electronic Classroom of Tomorrow	38.4
Ohio Virtual Academy	36.6

[10] Since the 2011 IO report, ODE has designated certain E-Schools as "statewide", which it did not do at the time of the IO report. Two schools – the Greater Ohio Virtual Academy and Quaker Digital Academy – have been designated statewide schools by ODE, but were not included in the 2011 IO examination because they didn't meet the enrollment threshold IO set for that report.

Quaker Digital Academy (Dropout Recovery)	33.1
OHDELA	26.7
Virtual Community School of Ohio	20.6
Treca Digital Academy	17.3

Table 1: Graduation Rates of Statewide E-Schools and Local Schools

In other words, a child has a better chance of graduating if he or she is in the lowest performing Ohio public school district than an Ohio E-School.

Among E-Schools, only Connections Academy at 55.1% has a graduation rate that even approached the lowest-performing district. But even this online school, while significantly better than the rest, has a graduation rate that ranks below every local school district.

Another metric further underscores the point. On the state's Performance Index (PI) measure, more than 96% of Ohio's local school districts score higher than the average statewide E-School. The average local school district received a PI Score of 99.1, 17% higher than the E-School average. OHDELA – which has the lowest PI score among the nine at 74.353 – outscores only 1 of Ohio's 613 school districts.

And while it is difficult to compare graduation rates between this year and the previous IO report because the state has since changed the way graduation rates are calculated[11], six of the schools received Performance Index scores in both years. Overall, there's not much difference.

E-School Name	2011 Report Performance Index	2013-2014 Performance Index	% Change
Buckeye On-Line School for Success	79	85.16	7.8%
Electronic Classroom Of Tomorrow	81.9	81.81	-0.1%
Greater Ohio Virtual School	68.4	NA	NA
OHDELA	77.8	74.35	-4.4%
Ohio Connections Academy, Inc	91.4	94.62	3.5%
Ohio Virtual Academy	88	88.30	0.3%
Quaker Digital Academy	87.9	NA	NA
Treca Digital Academy	83.3	NA	NA

[11] "Four Things to Know About Ohio's Graduation Rate," State Impact, January 24, 2014.

Virtual Community School Of Ohio	80.8	82.14	1.7%
E-School Average	**82.06**	**84.40**	**2.9%**

Table 2: Change in E-School Performance Index Scores

The performance is even *worse* when examining Value-Added Measures – the tool meant to determine how students improve. All statewide E-Schools that received a grade on this measure got an F.

And on the state's new calculation of Annual Measurable Objectives (AMOs) – a determination of the effectiveness of a school in closing achievement gaps with traditionally at-risk populations of students – Ohio's statewide E-Schools that were graded on this measure all earned F grades.

Demographic Considerations

The schools' demographic makeup also doesn't seem to indicate that such poor performance is warranted. While the statewide E-Schools do have a median poverty rate more than a third higher than the state median, their 56.1% poverty rate is significantly lower than the major urban districts with whom E-Schools most prefer to be compared. And there are two E-Schools that have poverty rates below the state district median.

School Name	% of kids in poverty
Greater Ohio Virtual Academy	36.3
Quaker Digital Academy	39.9
District Median	*41.4*
Ohio Connections Academy	46
Ohio Virtual Academy	54.1
OHDELA	56.1
The Buckeye Online School of Success	59.9
Treca Digital Academy	60.8
Virtual Community School of Ohio	74.7
Electronic Classroom of Tomorrow	76.9

Table 3: School Poverty Rates

There are 143 districts in the state with higher poverty rates – districts from which E-Schools receive significant numbers of students. E-Schools' poverty rates are more in line with places like East Palestine than East Cleveland. Even the E-School with the highest poverty rate – ECOT – has a rate that's about 25% lower than Cleveland and is most similar to Fostoria and Zanesville.

Looking at the report card ratings of Districts with similar poverty[12] as the median for the statewide E-Schools show just how poorly E-Schools perform, even with their poverty challenges.

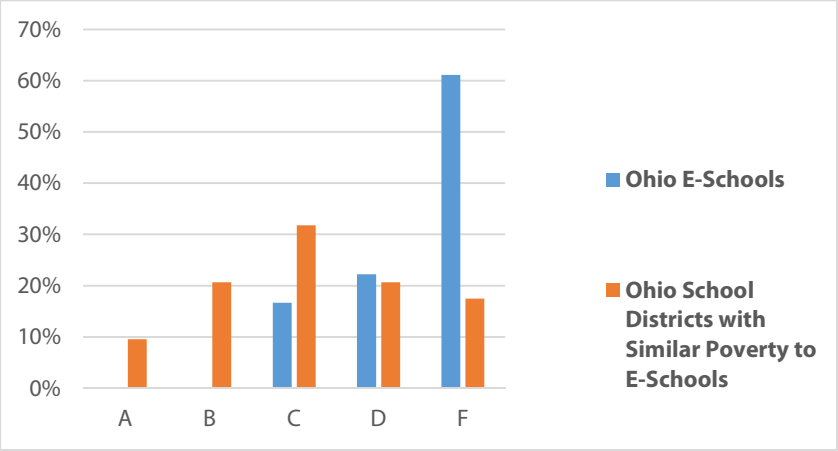

Figure 3: Letter Grade Distribution at E-Schools and Local Districts With Comparable Poverty Rates

Perhaps the most damning thing that can be said about Ohio's E-Schools is this: They almost single-handedly have brought down the *entire* charter school sector. The state's 6 statewide E-Schools[13] that receive state report card grades account for more than half of the $430 million sent last year to worse-performing charters from better-performing districts. *In fact, every dime sent to ECOT last year came from a higher performing school district*.

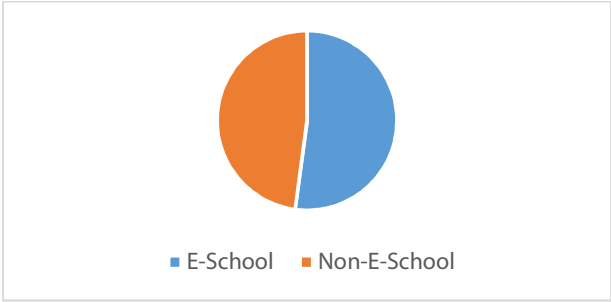

Figure 4: 2013-2014 Charter Funding That Came From Districts That Performed Better

[12] Districts within ½ of a percentage point of the median statewide E-School poverty rate
[13] Buckeye Online School for Success, ECOT, OHDELA, Ohio Connections Academy, Ohio Virtual Academy and the Virtual Community School of Ohio

Looking at overall report card performance, it is clear that while charter schools significantly underperform local public school districts even without including the performance of statewide E-Schools, even their poor performance is much better than statewide E-Schools.

Table 4: Report Card Performance by School Type

While charter schools' overall performance is barely affected by the report card grades in these six schools, the amount of students and money the six receive represents a significant portion going to the worst of the worst performing Ohio charter schools.

For example, of the 10,952 students who attended charters that were outperformed on all eight state report card measures[14] last year, fully 10,727 went to these six Ohio E-Schools. That's 98% of the students. As the chart below indicates, remove E-Schools and charter school performance relative to school districts improves significantly, though remains considerably worse.

[14] The value-added gifted measure is excluded, as it is only reported by a handful of charters.

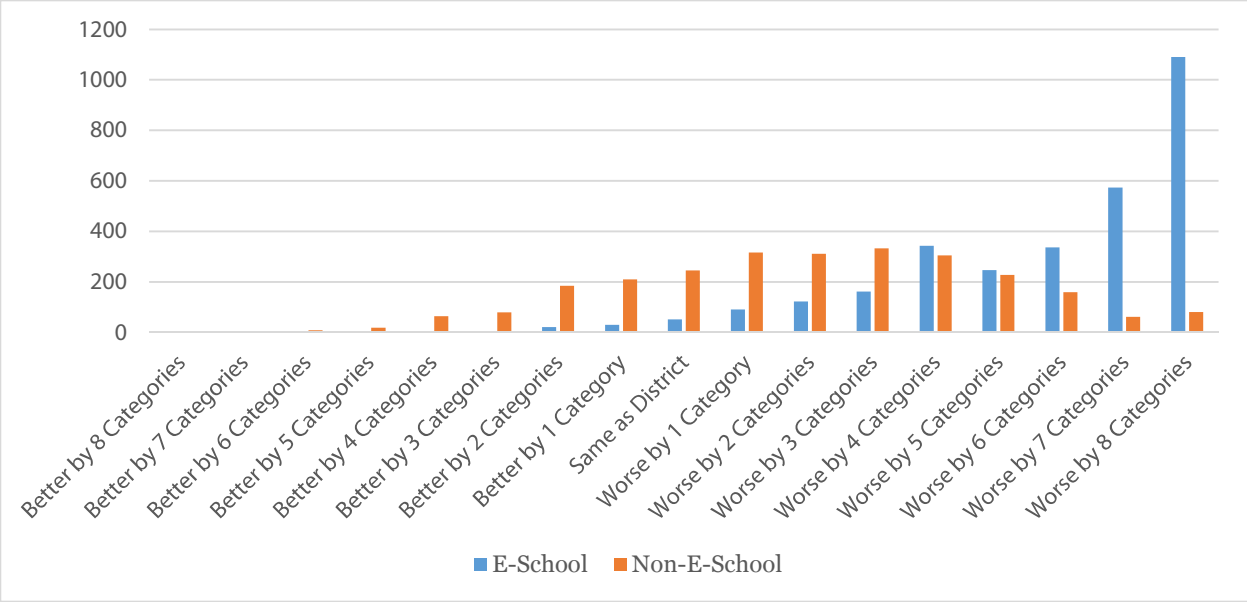

Figure 5: Performance Relative to Local School Districts

What both performance graphs demonstrate is that Ohio's E-Schools are a significant source of the problem in the overall performance of Ohio's charter schools, ***though they are not the entire problem***. Their drag on the charter school sector cannot be discounted because about a third of all Ohio charter school students who go to a charter school with report card grades attend a statewide E-School. And even without including statewide E-schools in a performance comparison, charter schools in Ohio remain a significantly underperforming sector overall.

E-School Funding

Like all other Ohio charter schools, E-Schools receive a per pupil amount that is deducted from the district where the child resides, regardless of whether the child ever attended school in his or her residential district.

This per pupil amount—currently $5,800, plus any categorical dollars—is based on the old "building blocks" calculation made under the state's previous foundation formula. The building blocks formula used several components in determining the per pupil amount, including a base cost for classroom teachers, personnel support (arts teachers primarily) and

non-personnel support.[15] Those separate components were calculated as $2,931 in FY 09 for teachers (at an average teacher salary with benefits of $58,621 and a flat student-teacher ratio of 20:1), $1,962 in FY 09 for personnel support, and non-personnel costs of $839 per pupil. All components added together made the per pupil amount $5,732 in FY 09. The state's new funding formula is based on this $5,732, arbitrarily inflated to $5,800 this school year.

The major flaw in using this formula to determine how much should be deducted from school districts is that charter schools generally have far lower costs than local public schools. Yet charter schools are paid as if they had the *same* costs. The problem is compounded and magnified with respect to E-Schools.

Teacher Salaries & Operational Costs

Take teacher salaries, for example. In charter schools, the average teacher salary is $34,333, compared with $56,855 for local public schools.[16] About 90 percent of all E-School students attend one of the following statewide E-Schools: Alternative Education Academy (OHDELA), ECOT, Greater Ohio Virtual School, Quaker Digital Academy, Ohio Virtual Academy, Ohio Connections Academy, the Buckeye On-Line School for Success, Virtual Community School of Ohio, or Treca Digital Academy. The average salary of those nine schools is just $32,481 – nearly $1,000 less than the average charter school.

School Name	Teacher Salary
Greater Ohio Virtual School	$ 12,145
Quaker Digital Academy	$ 25,620
The Buckeye Online School For Success	$ 31,514
Virtual Community School of Ohio	$ 33,831
Ohio Virtual Academy	$ 34,177
Electronic Classroom of Tomorrow	$ 35,600
OHDELA	$ 36,087
Ohio Connections Academy	$ 39,192
Treca Digital Academy	$ 44,165

Table 3: Average Teacher Salaries at Statewide E-Schools

[15] Ohio Revised Code § 3317.012
[16] These salary figures come from the Ohio Department of Education's Report Card database of average teacher salaries by school building. The Ohio School Funding Advisory arrived at a different figure, which is regarded as more accurate because it averages all the teachers' salaries, not the average of the average, like one must do with the report card data. However, the SFAC did not do a similar calculation for charter school salaries, so IO used the report card data for an apples-to-apples comparison.

Using the Building Blocks calculation, the nine E-Schools that educate roughly 90 percent of all Ohio E-School students receive their funding based on an average teacher salary that is $26,140 more than what they actually pay.

A similar problem exists with regard to operational costs. Unlike local schools, E-Schools have no heating and cooling costs, busing expenses, or meal costs. So using the Building Blocks formula – which attributes to E-Schools far higher salaries and operational costs than they actually pay – results in their receiving grossly inflated amounts of money. This is not only wasteful, but extremely detrimental to local school districts which must ask property owners to make up the lost revenue.

As if to prove Ohio's extreme largesse to E-Schools, K-12, Inc. – the nation's largest online E-School provider with operations in 33 states – has repeatedly said in its filings with the Securities and Exchange Commission that as much as 10% of the company's revenue comes from its Ohio Virtual Academy operation, and that if they lost OHVA it would severely impact their bottom line.[17] K-12, Inc.'s CEO, Nathaniel A. Davis, received more than $1.3 million in salary and bonuses last year[18] to oversee the 114,00 students enrolled in charters managed by K-12, Inc. That enrollment is about the size of the Memphis City Schools in Tennessee, whose outgoing superintendent received $270,000 in 2013.[19]

Even folks starting their own online schools struggle to figure out how Ohio's E-Schools get so much money, with one saying he figured it would cost less than $3,000 per student.[20]

This overpayment problem has been exacerbated since IO's 2011 report, with all but two statewide E-Schools receiving significantly more state revenue per pupil.

[17] K-12, Inc. form 10-K. 2014.
[18] K-12, Inc. form DEF 14A, October 28, 2014.
[19] "Interim Superintendent's $270,000 Salary in Question," WREG News Channel 3, April 5, 2013.
[20] Bloom, Molly. "How Much Does It Cost to Run an Online School?" State Impact Ohio. State Impact Ohio, 30 Sept. 2012.

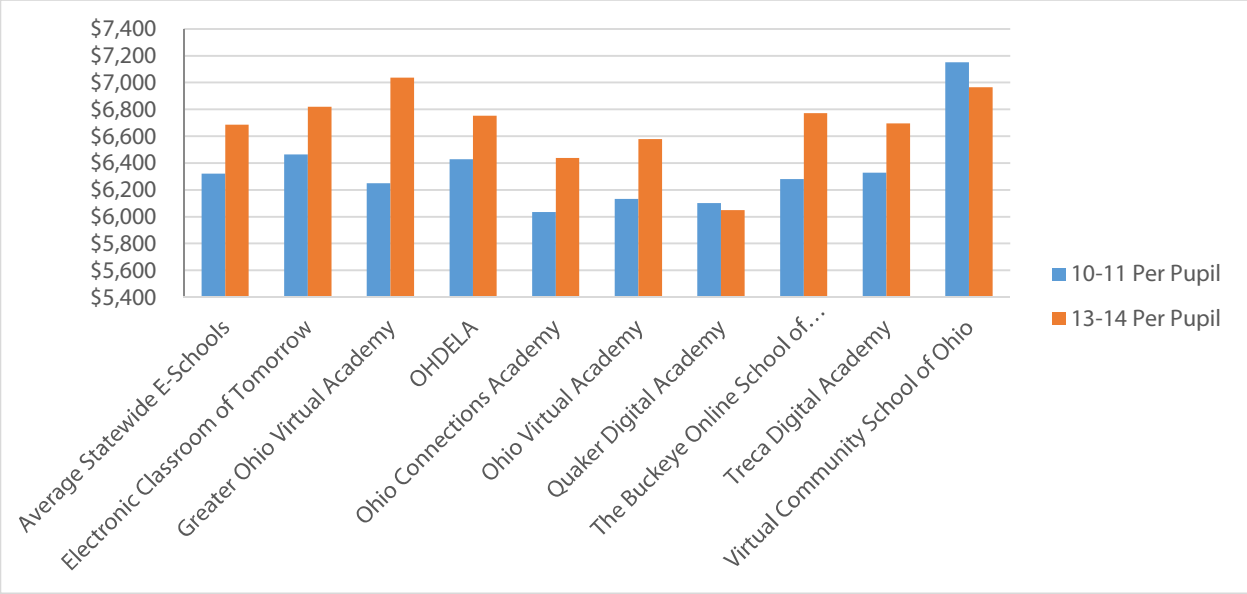

Figure 6: Three Year Per-Pupil Change in State Funding

Class Sizes

As can be seen in Table 4, E-Schools receive enough state money to pay for 15 students for each teacher, $2,000 laptops for all students, with a still handsome amount left over for other "costs."[21]

Name	Pupils	State Total	$ Per Pupil	Teacher salary	15:1 Class Size & $2k Laptop	Amount Left	Margin
Electronic Classroom of Tomorrow	14,545.01	$ 99,187,838	$ 6,819	$ 35,600	$ 63,610,177	$ 35,577,661	35.9%
Greater Ohio Virtual Academy	444.64	$ 3,129,295	$ 7,038	$ 12,145	$ 1,249,290	$ 1,880,005	60.1%
OHDELA	1,943.67	$ 13,124,984	$ 6,753	$ 36,087	$ 8,563,421	$ 4,561,563	34.8%
Ohio Connections Academy	3,241.36	$ 20,865,226	$ 6,437	$ 39,192	$ 14,951,745	$ 5,913,481	28.3%
Ohio Virtual Academy	12,911.41	$ 84,955,799	$ 6,580	$ 34,177	$ 55,241,037	$ 29,714,762	35.0%
Quaker Digital Academy	663.31	$ 4,012,327	$ 6,049	$ 25,620	$ 2,459,553	$ 1,552,774	38.7%
The Buckeye Online School of Success	1,113.12	$ 7,537,680	$ 6,772	$ 31,514	$ 4,564,831	$ 2,972,849	39.4%
Treca Digital Academy	1,882.45	$ 12,602,100	$ 6,695	$ 44,165	$ 9,307,460	$ 3,294,640	26.1%
Virtual Community School of Ohio	867.95	$ 6,045,331	$ 6,965	$ 33,831	$ 3,693,474	$ 2,351,856	38.9%
Total/Avg. Statewide E-School	***37,612.92***	***$ 251,460,580***	***$ 6,685***	***$ 32,481***	***$ 156,673,414***	***$ 94,787,166***	***37.7%***

Table 4: State Funding and Potential Profit Margin

[21] Teacher Salary Data from Ohio Report Card Data. ADM and State Total figures from Ohio Department of Education Data.

But the overpayments being made to E-Schools are even more egregious when one sees how they *actually* spend their money.[22]

Name	Pupils	State Total	Teacher Salary	# of Teachers	Student: Teacher Ratio	$ Spent on Teachers	% of $ Spent on Teachers
Electronic Classroom of Tomorrow	14,545.01	$ 99,187,838	$ 35,600	556	26.2	$ 19,793,600	20.0%
Greater Ohio Virtual Academy	444.64	$ 3,129,295	$ 12,145	25	17.8	$ 303,625	9.7%
OHDELA	1,943.67	$ 13,124,984	$ 36,087	81	24.0	$ 2,923,047	22.3%
Ohio Connections Academy	3,241.36	$ 20,865,226	$ 39,192	109	29.7	$ 4,271,928	20.5%
Ohio Virtual Academy	12,911.41	$ 84,955,799	$ 34,177	410	31.5	$ 14,012,570	16.5%
Quaker Digital Academy	663.31	$ 4,012,327	$ 25,620	14	47.4	$ 358,680	8.9%
The Buckeye Online School of Success	1,113.12	$ 7,537,680	$ 31,514	69	16.1	$ 2,174,466	28.8%
Treca Digital Academy	1,882.45	$ 12,602,100	$ 44,165	25	75.3	$ 1,104,125	8.8%
Virtual Community School of Ohio	867.95	$ 6,045,331	$ 33,831	49	17.7	$ 1,657,719	27.4%
Total/Avg. Statewide E-School	***37,612.92***	***$ 251,460,580***	***$ 32,481***	***1338***	***28.1***	***$ 43,459,875***	***17.3%***

Table 5: How E-Schools Spend Their Money

As Table 5 shows, statewide E-Schools provide, on average, student-teacher ratios of 28:1. Treca Digital Academy has a mind-bending ratio of more than 75:1 – that is, 75 students for each teacher.

With respect to pay, E-Schools spend, on average, 17.3% of their money on teacher salaries – which is almost exactly the reverse of local schools. Local schools spend 96% of their net state formula money on teacher salaries.

Even supporters of E-Schools do not support the abysmal student/teacher ratios that are found in Ohio's E-Schools. The International Association for Online K-12 Learning, for example, recommends that generally "a *full-time online teacher … should carry approximately the same load" as their face-to-face local school counterparts.*[23]

E-Schools Force Local Taxpayers to Subsidize their Poor Performance

[22] Number of Teachers Data from State Report Card Data.
[23] From iNACOL discussion of class size at http://www.onlineprogramhowto.org/policies/curriculum-instruction/class-size/

All told, E-Schools on average receive from the state (through deductions from school districts) $6,685 per pupil – a nearly 6% increase over the 2011 figure.

At one point, the state required E-Schools to report how they spend their money and to spend at least as much on per pupil instruction as they receive for base classroom teachers through the building blocks formula – at the time $2,931. If the department determined that the E-School was not spending the minimum amount required, it could have fined the offending school.[24] According to the latest data available, the nine state-wide E-Schools are spending, on average, about $1,156 per pupil on teachers' salaries – about one-third of the $2,931 minimum that was required in ORC 3314.085. This, in turn, would mean that in order to comply with Ohio law, the E-Schools would have to spend nearly $2,000 per pupil on curriculum, academic materials, computers and software; otherwise, they would fail to meet the minimum instructional requirement and would be subject to a fine.

Unfortunately, though, this provision (ORC 3314.085) was repealed in the 2013 budget, so there are now no limits on how little or how much E-Schools will be able to spend on pupil instruction.

And that brings us back to the $6,685 per pupil that E-Schools receive from the state—which is more state aid than about 93% of Ohio's local public schools receive. In fact, more than 87%

[24] Ohio Rev. Code § 3314.085 [repealed] read: "(A) In each fiscal year beginning in fiscal year 2007, each internet- or computer-based community school shall spend for pupil instruction at least the amount per pupil designated in division (B)(1) of section 3317.012 of the Revised Code as the amount for base classroom teachers. For this purpose, expenditures for pupil instruction include expenditures for teachers, curriculum, academic materials , computers, software, and any other instructional purposes designated in the rules adopted under this section. Expenditures to provide the computer hardware and filtering software required by sections 3314.21 and 3314.22 of the Revised Code qualify as pupil instruction for purposes of this section.
(B) Beginning in fiscal year 2007, each internet- or computer-based community school annually shall report data to the department of education concerning its expenditures for pupil instruction. Each school shall report the data in the form and manner required by the department.
(C) If the department determines, after offering the school an opportunity for a hearing in accordance with Chapter 119. of the Revised Code, that an internet- or computer-based community school has failed in any fiscal year to comply with division (A) or (B) of this section, the department shall assess a fine against the school equivalent to the greater of the following:
(1) Five per cent of the total state payments to the school under this chapter for the fiscal year in which the failure occurred;
(2) The difference between the amount the department determines the school was required to have spent for pupil instruction and the amount the department determines the school actually spent for pupil instruction.
The department's methods of collecting the fine may include withholding state payments under this chapter in the current or subsequent fiscal year.
The department may cancel a fine it has imposed under this section if the school submits a plan for coming into compliance with the requirements of this section that the department approves, and the school demonstrates to the department's satisfaction that it is implementing the plan.
(D) The superintendent of public instruction shall adopt rules in accordance with Chapter 119. of the Revised Code specifying expenditures that qualify as expenditures for pupil instruction for purposes of this section."

of Ohio's local public schools receive less money per pupil from the state's foundation formula than the lowest per pupil amount given to *any* statewide E-School[25].

It should also be noted that local public schools pay more per pupil to E-Schools on average than they receive from the state 93% of the time.[26]

What all of this means is that far from "saving" money, E-Schools actually cost the state *more* money than do local public schools, while increasing the need for local taxpayers to subsidize their outsized cost. Last school year, that subsidy was $104 million[27] – accounting for about 1 in every 4 local dollars needed to subsidize Ohio charter schools.

Arguably, this could be justified if E-Schools produced better student outcomes. But as has already been discussed, student outcomes are significantly worse.

What Gives? Look at Who Gives

In light of these statistics, the obvious question is why the state has allowed poorly performing E-Schools to grow from a $115 million program in 2006 to a $250 million program in 2014?

Given that charter schools were supposed to allow children to escape poorly performing local schools –and given the state's precarious financial position—why would Ohio spend ever greater amounts of money on schools that not only cost the state twice as much money per pupil, but also produce worse state report card results and lower graduation rates than Ohio's lowest performing local schools?

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[25] In FY 14, the statewide E-Schools received $251.5 million to educate 37,613 students, for a per pupil average of $6,685, according to an IO analysis of Ohio Department of Education data. That is a higher per pupil amount than all but 41 school districts receive from the state on the foundation formula. Using the June#2 payment from FY14, the state spent $6,754,023,350.22 to educate the 1,722,831.49 students (the fraction is due to weighting of students for special education and other factors) in local public schools on the state's foundation formula. IO focused on the foundation formula because that's what the *DeRolph* school funding lawsuit examined when the system was ruled unconstitutional four times. That averages out to $3,920 per pupil, and that's before charters and vouchers receive their money and children. The *net* per pupil amount is $3,456. The lowest per pupil amount the state spends in any statewide E-School is $6,049 at the Quaker Digital Academy – the only school district sponsored statewide E-School. Only 80 local public schools receive a gross foundation amount greater than that $6,049 figure. As an aside, only 21 local public school districts receive more ***gross*** per pupil from the state's foundation formula than all charter schools' average deduction of $7,380 per pupil ($900,500,252.70 spent educating 122,019.21 children in charters), which means **more than 96 percent of local public schools receive less gross revenue per pupil through the state's foundation formula than the *average* charter school receives**.

[26] IO examined the total amount of money and students transferred from local public school districts to E-Schools by district and E-School. That resulted in 3,496 transfers. In only 247 instances was the average per pupil amount transferred to an E-School smaller than the per pupil amount the district received from the state. That means the state only saved money on 7% of the transfers to E-Schools.

[27] Calculated by dividing the total state formula aid to districts by the number of children, then taking out the number of students and amount of money going to the 9 statewide E-Schools. The difference between the per pupil amount before E-Schools received their students and funding and the amount after that deduction was then multiplied by the number of non-E-School students remaining in local school districts. All calculations based on 2013-2014 Ohio Department of Education data.

Innovation Ohio has found that between 2001 and 2014, Ohio Republicans, who now control both the Governor's office and the Ohio General Assembly, received more than $5 million in campaign contributions from just two men – David Brennan and William Lager[28].

David Brennan

Brennan, Ohio's largest operator, along with his wife has donated nearly $4.8 million to state candidates and Republican Party accounts. Brennan operates the Alternative Education Academy E-School (OHDELA), as well as several brick-and-mortar charter schools. Though OHDELA graduates just 26.7% of its students, Brennan receives $13.1 million a year in state money to operate it.

Brennan—who rakes in about $60 million per year from the state for his various schools, and has banked over $1 billion in state money since his charter schools opened in 1999—has never once testified before any education committee of the Ohio General Assembly. That does not mean Brennan has not exerted his will on the legislature. In fact, his lobbyist was invited to sit down with the Ohio Legislative Service Commission to draft its wish list of charter school provisions.[29]

William Lager

Mr. Lager, who operates ECOT, has made more than $1.6 million in political contributions since 2001. ECOT receives nearly $100 million per year in state money –-yet graduates just 38.4% of its students, and received 8 Fs and 1 D on the 2013-2014 state report card.

Pay to Play?

Since charter schools started operating in 1999, the schools run by these two men have collected nearly one in every four dollars ever spent on charter schools[30] through last school year.

It has been argued that schools run by Lager and Brennan are actually creating a significant drag on the overall charter school sector, with the Akron Beacon Journal recently revealing

[28] More, if one includes family and business associates' contributions
[29] Rowland, Darryl, and Jim Siegel. "House Cozy with Charter School Lobby." The Columbus Dispatch. June 5, 2011.
[30] According to Ohio Department of Education and Ohio Auditor of State data compiled by Innovation Ohio. Brennan's schools have collected $1.039 billion. Lager's ECOT has collected $691 million. Ohio has spent $7.4 billion on charters since 1999. That means Lager and Brennan schools have collected 23% of all the money ever spent in the program.

that for-profit operations like White Hat and ECOT are the worst performing types of schools in the state.[31]

However, many in the quality-focused charter community have begun speaking out – none more forcefully than the state director for Students First – the education reform group formed by the notorious Michelle Rhee.

Here's what Greg Harris, told the Beacon Journal two years ago: "We need to stop wasting taxpayer dollars on [low-performing schools] and, more importantly, we need to stop wasting kids' lives… A lot of times it has to do not with how well your school is performing but how well your lobbyist is paid."[32]

ECOT has since hired a lobbying group led by former Ohio House Speaker William Batchelder to head its lobbying efforts this legislative session – an arrangement some observers have noted for its revolving door issues.[33]

Where Things Stand Now

There has been a welcome shift in the legislative approach to charter schools with the inclusion of accountability and transparency reforms in House Bill 2 and House Bill 64 (the state's budget bill) that will, by extension, apply to E-Schools. But the fact remains that the statewide E-Schools will receive increased funding in the new budget, even as over 250 local public school districts – including some of the state's poorest – will receive less state funding than they did six years ago.

Where the change in E-School policy is most direct is in Senate Bill 148, authored by state Sen. Peggy Lehner. There are several E-School-specific provisions (the language comes directly from Sen. Lehner's bill summary):

- ✓ Requires each e-school to keep an accurate record of and report the number of hours each individual student is actively participating in learning opportunities in each period of 24 consecutive hours.

[31] Livingston, Doug. "Ohio's For-profit Charter Schools Drag State into Group of Nation's Worst Performers." *The Akron Beacon Journal,* November 8, 2014
[32] Livingston, Doug. "Ohio Budget Rewards Low-performing Charter Schools." www.ohio.com. *The Akron Beacon Journal*, June 29, 2013.
[33] Kasler, Karen. "Batchelder's Turn As ECOT Lobbyist Raises Questions About Buffer." Ohio Public Radio, February 23, 2015.

- *This is a much more effective way to account for whether students are actually participating in the E-School, not just logging on for a minute to two once in a while.*

✓ Requires each e-school to conduct a student orientation course and conditions enrollment on participation in the course.

- *This will help students better understand expectations for E-School education.*

✓ Requires that if the academic performance of a student declines during the student's enrollment in an e-school, the student's parents, teachers, and principal must confer to evaluate the student's continued enrollment.

- *This provision would hold E-Schools to better account for struggling students, though the student can still stay enrolled and the E-School can remain paid.*

While these provisions are welcome and needed, they still do not deal with the principal issue: Ohio's E-Schools are paid so much more than other states' E-Schools.

As if to add insult to injury, the Ohio House of Representatives inserted into its version of the Budget a provision that gives $25 per pupil to E-Schools for building costs. Schools that don't have buildings and are already clearing well in excess of 35%-40% under the most conservative estimates do **not** need another $25 per student to pay for testing site rent (the reason for the dollar amount). Again, there are good steps being taken on E-School accountability, but the biggest remain untaken.

Conclusion

Though E-Schools can, in principle, be an effective and needed alternative to local schools, Ohio's E-Schools are nothing short of a disaster. Of the nine that operate state-wide and instruct children from across the state, none received an A or B on the nine report card measures – only 5 Cs were earned among the 81 potential grading criteria. They have graduation rates that are among the worst in the state, and none had graduation rates better than the worst performing district in Ohio. On top of that, they cost the state twice as much per pupil as local public schools. Instead of a "win-win" proposition, Ohio E-Schools are a "lose-lose" for the Ohio children who attend them and the Ohio taxpayers who fund them.

While Ohio legislators seem correctly intent on reforming Ohio's nationally ridiculed[34] charter school sector, there needs to be a greater focus on the money and accountability in Ohio's E-Schools specifically. They have their own challenges and idiosyncrasies that demand closer and specific scrutiny by legislators.

The main areas that need to be addressed are:

1. **Funding** – Ohio taxpayers are paying far too much for online schools, especially considering what they pay teachers and how their costs are substantially less than brick and mortar operations. The state should seek a more accurate measure of their cost and re-institute the minimum spending requirement for instruction.

2. **Accountability** – Ensuring that the students who the state is paying for are actually logging on and accessing the educational software offered by E-Schools is essential. The state must develop E-School-specific regulations and laws that ensure that every child claimed by an E-School is demonstrated to actually be at the E-School receiving as quality an educational experience as they would at a local public school or brick-and-mortar charter school.

3. **Transparency** – The public needs to know what's going on in these schools that now educate more than 35,000 children. E-School boards should have to meet in public, with the meetings held online so that anyone can see them. Holding a school board meeting in Columbus or Toledo when children from 250 miles away attend the school fulfills neither the spirit nor letter of the Ohio Open Meetings Act. E-Schools should be required to notify media outlets in every community from which they take kids so parents and the public can keep tabs on these schools.

[34] O'Donnell, Patrick. "Ohio's Charter Schools Ridiculed at National Conference, Even by National Charter Supporters." Cleveland.com. Northeast Ohio Media Group, March 2, 2015.