



On the Right Track:

Ohio's charter reforms one year
into implementation

Aaron Churchill, Jamie Davies O'Leary, and Chad L. Aldis

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THOMAS B.
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1. Foreword

“The best laid plans of social reform invariably go astray,” [wrote](#) Rand Corporation analyst Paul Berman in 1978. While “invariably” may overstate the case, Berman does offer a stern warning against the faulty assumption that a direct line exists between policy reform, as expressed through laws and regulations, and real-world change. As any number of research studies and vast amounts of experience have taught us, the success of policy reform hinges on implementation, the “missing link” between reform and its intended outcomes.

This report examines the early implementation of recent charter school reforms in Ohio. We’ll cut to the chase: Bottom line, implementation is on the right track, bringing promising changes to the state’s charter school sector. If policy makers can maintain rigorous and faithful implementation, it will become increasingly likely that Ohio’s recently enacted charter reforms yield positive results.

In close collaboration with Governor John Kasich, the state legislature passed a landmark piece of legislation that significantly altered the framework governing Buckeye charter schools. The comprehensive legislation—[House Bill 2](#) (HB 2) of the 131st General Assembly—was introduced in January 2015 and debated throughout that spring and summer. With strong bi-partisan support, the legislature passed the bill in October, and the governor signed it into law on November 1, 2015. We at the Fordham Institute were pleased to support and see this much-needed legislation enacted into law.

HB 2 sought to right a sector that has struggled since Ohio’s first charter schools opened in 1998, while also protecting the very school-level autonomy that is essential to the charter model. The centerpiece of the bill is tougher oversight of sponsors, the entities that hold charter schools accountable (also commonly known as “authorizers”). Though not fully understood when the first charter laws were crafted, we now know that quality sponsors are key to a healthy, high-performing charter sector. Ohio has long encountered widely varying levels of sponsorship quality, and the legislative upgrades seek to ensure that all sponsors are effectively carrying out their responsibilities (including Fordham which serves as one).

Another goal of the legislation is to strengthen charter governing boards, the bodies that oversee school operations and management. The reforms seek to ensure that boards are not compromised by conflicts of interests and are positioned to make independent, well-informed decisions that foster efficient, effective, high-performing schools that meet children’s needs. Meanwhile, HB 2 also requires greater transparency from charter operators. Also known as management companies, operators are sometimes contracted by governing boards to run a portion or even all of the school-level operations. Ohio has had a checkered past with powerful but poor-performing and less-than-transparent operators. Now they must do their work in sunlight. Lastly, the legislation includes several miscellaneous provisions, including a few related to online charter schools.

Such are the worthy goals of HB 2, well translated into statutory language by serious lawmakers. But whether these reforms bear fruit or wither on the vine depends in large part on how the law is implemented by the Ohio Department of Education (ODE) and, in a few cases, other state agencies. Now that more than a year has passed since Governor Kasich signed the legislation, it's time to take a first close look: How are these charter reforms being implemented—with vigor and care, or with neglect? Are there any early indications that the reforms are improving sector performance? Alternatively, are any unintended consequences becoming clear?

To explore these questions, we consider implementation from three angles. First, we review several data points that might suggest whether the reforms are having their intended impact on sector quality, including trends in charter school startups and closures. Second, we analyze the results from the 2015–16 sponsor evaluations, the first year in which ODE implemented its redesigned—and significantly sharpened—system. These evaluations are central to Ohio's effort to hold the sector more accountable for performance. Third, we examine the full package of reforms and search for evidence on whether the state is implementing the new provisions found in the improved charter law.

There are many ways to analyze the implementation of policy reform, ranging from case studies, to surveys, to empirical analyses. We understand the limits of this report: It's early, preliminary, and cannot encompass a full review of every one of HB 2's myriad provisions. For instance, the law now requires charter boards to hire an independent attorney when negotiating operator or sponsor contracts. We can tell whether the state verifies compliance with this provision, but it would require expensive in-depth research to know how the dynamics of contract negotiations have changed (if at all). The aim of this report, rather, is to offer an early (and important) checkup on the implementation of HB 2, and to prompt action, if needed, to ensure faithful implementation of Ohio's much improved charter school law.

* * *

Our analysis yields four key findings.

Finding 1: Ohio's charter sector is becoming more quality focused. In 2016, twenty-one charters closed, one of the highest numbers of school closings on record in Ohio. Most of these schools had received low ratings on state report cards, suggesting that Ohio's tougher accountability policies are—as they should—decreasing the likelihood that underperforming schools will just go on forever. Additionally, a small number of new charter schools opened in fall 2015 and 2016—just eight new startups in both years—the lowest numbers of new school openings in Ohio's charter history. This suggests that sponsors are vetting new schools more diligently as the pressure rises to authorize schools that promise quality. However, it also raises the possibility that reforms are impeding charter growth, perhaps even deterring potentially excellent schools from entering the sector.

Finding 2: The redesigned sponsor evaluation system has some of the teeth that it needs. In October 2016, ODE released its first round of high-stakes sponsor ratings under its overhauled evaluation system. The evaluations consist of three equally weighted components: The academic performance of a sponsor’s schools; sponsors’ compliance with laws and regulations; and their adherence to quality practices. Twenty-one out of sixty-five total sponsors received an overall Poor rating while another thirty-nine were rated Ineffective, the second lowest rating. Sponsors rated Poor had their authorizing rights revoked, pending appeal, while Ineffective sponsors are now subject to a quality improvement plan overseen by the state and are prohibited from sponsoring new schools. It is important to note that, taken together, Poor-rated sponsors represent a small portion of the overall sector—responsible for just 8 percent of Ohio’s charter schools—while Ineffective sponsors authorize the majority of charters (62 percent).

Finding 3: Sponsors of high-poverty schools received low marks on the academic portion of their evaluations. Sponsor evaluations are based in part on the state ratings of the schools they authorize. Because Ohio’s school rating system places considerable weight (more than half) on accountability measures that correlate with student demographics and prior achievement, sponsors with high-poverty schools performed poorly on the academic portion of their evaluations. Twenty-six sponsors, together authorizing 324 schools, or 87 percent of the sector, received D or F grades for academic performance. Most of these sponsors’ schools are located in low-income, urban communities where proficiency lags behind the statewide average. So long as Ohio’s school ratings overweight proficiency instead of student growth (or the “value added” of schools), sponsors of high-poverty schools will struggle on the academic component, as will high-poverty school districts.

Finding 4: Ohio is implementing the vast majority of the HB 2 provisions in a verifiable way. We identify fifty-seven provisions in HB 2. Of these, we deem fifty to be applicable to the implementation of the legislation at the time of this report. Four provisions are not yet applicable, due to a future effective date, and three aren’t applicable in a compliance sense (one, for instance, repeals a prior law). In sum, we uncover evidence of implementation for forty-nine out of fifty applicable provisions. Appendix A lists the legislative provisions and supporting documentation.

The implementation of HB 2 is a big step forward, and Ohio should continue to vigorously implement the legislation while guarding against attempts to water down or undermine reform. State policy makers should also resist the temptation to pile unnecessary regulations onto charter schools—the freedoms and flexibilities that allow on-the-ground educators to pursue different approaches to education must be safeguarded. Yet we note several areas that still need attention and offer three closing suggestions.

- **Fine-tune the sponsor evaluations.** The revamped sponsor evaluations are central to holding them more accountable, and the 2015–16 evaluations were a major advance. At the same time, state policy makers should continue to refine the evaluations in two ways. First, a greater

emphasis should be placed on schools' value-added ratings instead of relying as much on proficiency measures when calculating the academic component of a sponsor's evaluation. When sponsors authorize schools in low-income communities—and many do—their academic ratings are adversely and unfairly impacted when the focus is on measures correlated with pupil demographics and prior achievement. Sponsors with many high-poverty schools in their portfolio will find it nearly impossible to earn an overall Exemplary rating, undermining the incentive structure established in HB 2. It also discourages sponsors from authorizing schools in Ohio's disadvantaged communities—the very parts of the state most in need of excellent schools. Second, ODE should create a less burdensome compliance review of sponsors. Currently, sponsors complete a large amount of paperwork to verify compliance on their annual evaluations; a more manageable approach, in our view, would be an audit-like process in which the department randomly selects items for detailed review.

- **Accelerate the growth of excellent schools.** As this report details, new school formation has nearly stalled in Ohio. At this juncture, we interpret this as a necessary though regrettable development that indicates greater mindfulness on the part of sponsors in vetting prospective schools. But if the long-term trend in startups remains stagnant, Ohio won't be able to ensure that kids have the quality school options they and their families need. Now that Ohio has a stronger accountability framework in place, policy makers and philanthropists shouldn't shy away from investing in the replication of high-quality schools, or in promising schools starting from scratch. The combination of accountability and startup investment dollars (not to mention more equitable operational and facilities funding) would signal that the Buckeye State is a great place to grow and expand high-performing schools.
- **Conduct rigorous research.** The present report offers a general overview on the early implementation of the HB 2 reforms, and deeper exploration is certainly warranted. Especially vital will be rigorous, empirical research that examines the post-reform academic performance of Ohio charter schools. We at Fordham will continue to document implementation progress, yet valuable studies beyond our own capacity would offer a more complete picture of the legislation's impact.

The implementation of charter reform in Ohio is off to a strong start. Fortunately, as challenges arise, the spirit of the law can be relied on as a guiding light. The full implementation of HB 2 holds the potential to enable Ohio's charter sector to reinvent itself and ultimately deliver the excellent education that Buckeye children so rightly deserve.

Acknowledgments

We offer our deepest thanks to those who contributed their time and talents to make this report possible. On the Fordham side, we would like to thank Michael J. Petrilli and Chester E. Finn, Jr. for their thoughtful feedback on an earlier draft; from Fordham’s charter sponsorship team, we thank Kathryn Mullen Upton and Theda Sampson for their insight on many aspects of implementation. From the Fordham team in Columbus, we offer many thanks to Jeff Murray, Jessica Poiner, and former intern Sarah Souders, for their assistance during the drafting and dissemination process. Finally, we are grateful for the copy editing work of Pavita Singh and special thanks to Andy Kittles for designing and typesetting the report. Any errors are our own.

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2. The road to reform

Charters—also known as “community schools” in Ohio—are public, nonprofit, nonsectarian schools that work autonomously and are overseen by independent governing boards. In exchange for operational freedoms, charters are expected to demonstrate satisfactory results as measured by student outcomes. Charters were pioneered in Minnesota, which passed the nation’s first charter school law in 1991. Several years later, Ohio passed its charter law with the first schools opening in fall 1998. As of 2015–16, Ohio had 373 charter schools serving approximately 120,000 students. State law generally limits charter schools to the major urban areas; however, almost one in three charter students attend virtual charters (aka e-schools), which may enroll pupils from anywhere in the state.

Ohio’s charter sector includes three key governing institutions: the Ohio Department of Education (ODE), charter sponsors (also called “authorizers”), and school governing boards. In some cases, a fourth entity is also involved—a charter management company that carries out the operations of a school under a contract with that school’s governing board. In Ohio, management companies are often known as “operators.” The institutions’ roles and responsibilities are as follows:

- The **Ohio Department of Education** approves, evaluates, and oversees charter school sponsors. State law requires ODE to approve entities seeking to sponsor charters through a written agreement (or contract) and to evaluate all sponsors annually. On the basis of poor evaluations or other types of mismanagement, the agency has the power to revoke a sponsor’s right to authorize schools.

- **Sponsors** enter into contracts with nonprofit charter governing boards. These contracts, or charters, allow schools to open and operate. The sponsor does *not* operate the school itself—a widespread misunderstanding—but monitors its financial and academic performance along with compliance with laws and regulations. If the school is violating state law or the terms of its contract, the sponsor is the entity that holds it accountable and can close it by terminating or non-renewing its contract. In Ohio, sponsors may be traditional school districts, joint-vocational districts, regional educational service centers, public institutions of higher education, approved nonprofit organizations, or ODE. The size of sponsors’ portfolios varies widely, with nonprofits tending to have larger portfolios (between ten and fifty schools), while districts and educational service centers typically have smaller portfolios (sometimes just one or two schools).
- Charter **governing boards** are self-appointed bodies that oversee school management. Each charter school must have a board consisting of at least five members. These entities are responsible for making school-level decisions like hiring a school leader and adopting a budget. In some cases, the board will enter into a contract with an external operator to carry out the school’s day-to-day operations.
- **Operators**, which may be for-profit or nonprofit organizations, are also known as “charter management companies” or “education management companies.” Roughly two in three charter governing boards in

Ohio have agreements with such entities. Of Ohio's charters with an operator, 56 percent are run by a for-profit management company and 44 percent by a nonprofit.¹

Ohio charter law has long outlined the responsibilities of these entities, with the most attention paid to the roles of ODE and charter sponsors. Yet prior to the recent reforms, the law contained loopholes and exemptions, incentivized counterproductive behaviors, and permitted conflicts of interest when entities were supposed to act independently and in the best interests of students and taxpayers. To name but a couple problems in former state law: Certain sponsors did not require ODE approval before authorizing schools while others had to obtain such approval, a loophole that allowed low-quality sponsors into the sector. Another problem was that statute permitted "sponsor hopping"—the ability of low-performing schools to avoid consequences, including the possibility of closure, by fleeing to another, more lenient sponsor.²

The sector was also underperforming: A 2014 study by Stanford University's Center for Research on Education Outcomes (CREDO) found that Buckeye charter students were losing ground in math and reading when compared with similar pupils attending district schools.³ In addition, the *Columbus Dispatch* and *Toledo Blade* reported in 2014 alarming accounts of charters that closed shortly after opening, disrupting student lives and costing taxpayer dollars.⁴ These poorly vetted schools were a black eye for the entire charter sector and underscored the troubles in charter law.

We at Fordham and others had advocated for charter reform for a number of years.⁵ But throughout 2014, calls for comprehensive charter school re-

form grew louder. In conjunction with Bellwether Education Partners, a national education policy consulting firm, Fordham released recommendations for charter reform in December 2014.⁶ These suggestions centered on strengthening the oversight of sponsors, eliminating conflicts of interest, and mitigating the perverse incentives for which Ohio's sector had become notorious.

Near the end of 2014, Governor John Kasich told a Chamber of Commerce gathering that he would put forward a charter reform package in the next legislative session, pledging to "fix the lack of regulation on charter schools."⁷ Recognizing the need for reform, the Ohio General Assembly also made charter legislation a top priority in its 2015 session. Several key legislative proposals were put forward in the governor's budget (House Bill 64), the House's comprehensive legislation (House Bill 2 or HB 2), and the Senate's charter reform bill (Senate Bill 148). The provisions that all parties—Governor, Senate, and House—agreed upon were eventually folded into HB 2. After months of hearings and public debate, HB 2 passed, with bi-partisan support, on October 8, 2015. The Senate voted unanimously to pass it (32-0), while the House vote was near-unanimous (91-6).

The legislation addresses many of the weaknesses in previous law and establishes a smarter governing framework for Ohio's charters. It puts in place stronger incentives for oversight authorities to act in the best interest of students, and be less guided by the potential for pecuniary gain. Importantly, HB 2 preserves the school-level autonomies afforded under state law that allow charters to operate in ways different than Ohio's traditional public schools. Shortly after passage, Senate Education Chair Peggy Lehner told the *Columbus Dispatch*, "this [bill] is going to give us the oppor-

tunity to have charter schools that we are proud of.”⁸ On November 1st, Governor Kasich signed HB 2 into state law; most of the legislative provisions formally went into effect ninety days later on February 1, 2016. Appendix A contains a listing of the various provisions.

3. Results so far

The 2015–16 school year is our starting point for analyzing the early impact of Ohio’s charter reforms. After the October 2015 passage of HB 2, sponsors and charter schools had reason to know which provisions would become law and when they would take effect. Sponsors and schools were held accountable for most of the reforms by the end of the 2015–16 year, and the state’s sponsor evaluations included verification of compliance with the HB 2 provisions that went into effect in February 2016.

We consider the early results in three ways. First, this section covers new school formation. As noted above, ill-vetted startups have, on too many occasions, been allowed to open; the reforms aim to safeguard against this happening. We expect to see fewer new startups, at least temporarily, as sponsors put into place tougher screening protocols. Next, we turn to the charter school closings that occurred in 2016, as the bill is designed to put pressure on sponsors so that they’ll act in the interests of students and close chronically poor-performing schools. Lastly, we review the sector’s performance in 2015–16.

A. New school formation

HB 2 has influenced sponsor oversight at both ends of the charter school life cycle: Not only did sponsors close and not renew low-performing schools (as discussed in Section B below), they have also okayed the opening of fewer new schools than ever before. This is an important—albeit not entirely positive—component of oversight and quality control that will determine the future health and quality of the sector.

It’s not enough to merely close charter schools with sinking enrollment, financial problems, and/

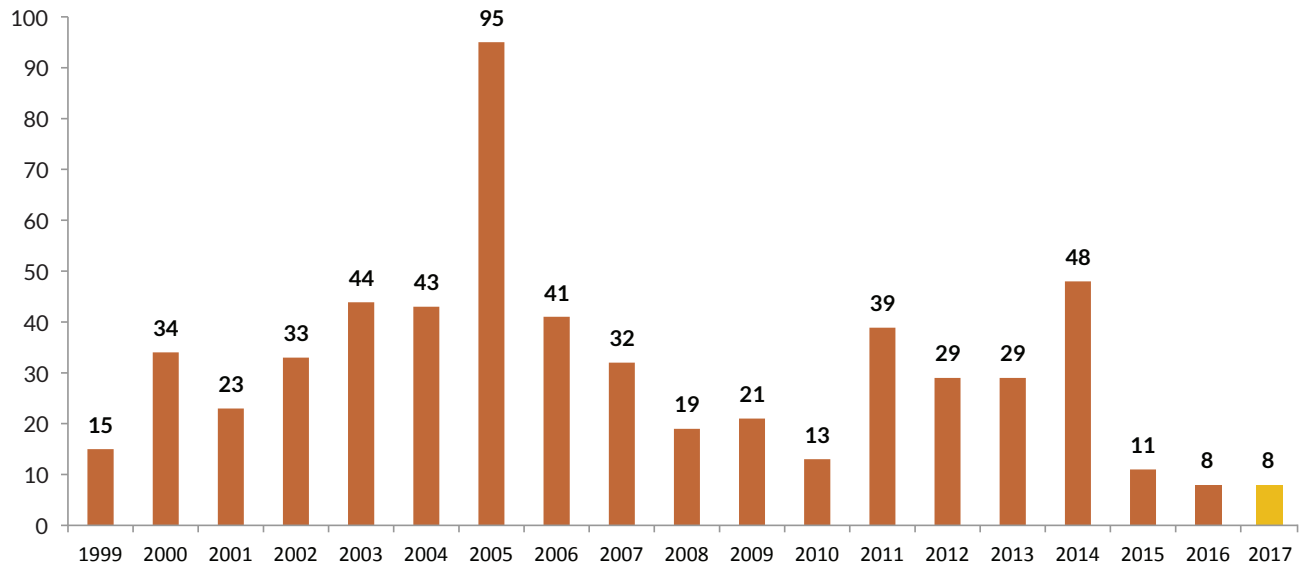
or academic underperformance. If Ohio’s history has taught us anything, it’s that many of the state’s failed charter schools should not have been approved to open in the first place—a tale of what can go wrong with the “let a thousand flow-ers bloom,” unmitigated growth mentality.

Sponsors are the ultimate gatekeepers of quality, charged with the vital task of determining who gets to open schools. When done right, this oversight includes a tremendous amount of due diligence regarding those who seek to create new schools. Sponsors conduct a thorough examination of their track records, such as checking on their personal integrity (e.g., criminal background checks) and financial stability. They make judgment calls about the viability of new schools—determining whether such schools have a reasonable likelihood of succeeding academically, can recruit an expert school leader and competent governing board, and ultimately prove financially viable by meeting the needs in a particular community and sustaining enrollment. It is critical that sponsors demonstrate prudence and gauge the long-term likelihood of a school’s success.

HB 2 fundamentally changed the game for charter sponsors. If sponsors open too many schools with little chance of performing well, they risk tougher penalties per the state’s sponsor evaluation system, potentially including their own closure. As quasi-governmental entities charged with providing oversight for public schools, sponsors must now look beyond whether applicants meet basic legal requirements. In summer of 2016, ODE posted on its website a list of ten potential new charter schools. Only eight of those schools actually opened and received funding in the fall of 2016—they are listed in table 3.1. This is tied for the smallest number in Ohio’s eighteen-year history and indicates that the reform legislation has influenced sponsor decision-making about new

school applicants. In our view, this is an encouraging sign that sponsors are raising their standards for new school startups. But it also raises the troubling possibility that charter reform in the name of quality control will constrain the sector's capacity to benefit children.

Figure 3.1: Number of Ohio charters opened each year, 1999 to 2017



Sources: Historical data come from ODE's [annual community schools report](#) (2015). The opening number for 2017 (fiscal year) was arrived at by examining ODE's summer 2016 list of potential new charter schools, then checking [Ohio's community school payment reports](#) to see which schools received funding in the fall of 2016. An earlier version of this analysis was [published](#) on Fordham's website.

It's also critical that the new charter schools opening are good ones. While it's too early to gauge the academic quality of these new startups, we know that one of them (Village Preparatory School) partners with the Cleveland school district, enabling it to share in a portion of local property tax revenue through Ohio's only such tax-sharing agreement with charter schools. This partnership in Cleveland requires an extra review process and likely signals an increased likelihood of quality. Village Preparatory is also a replica of an existing high-quality model (Breakthrough Schools).

Table 3.1: New charter schools opened in fall 2016

School	Sponsor	Home school district	Enrollment: Oct. 2016	Type
Beacon Academy	Educational Resource Consultants	Canton	170	General education
Bridge Gate Community School	Educational Resource Consultants	Columbus	25	General education
Global Ambassadors Language Academy	Ohio Council of Community Schools	Cleveland	57	General education
iLead Spring Meadows	Ohio Council of Community Schools	Springfield (Lucas County)	64	General Education
East Branch Preparatory Academy (renamed Wright Preparatory Academy)	St. Aloysius Orphanage	Canton	95	General Education
Urban Early College Network	Educational Resource Consultants	Dayton	32	General education
Village Preparatory School Willard	Cleveland Municipal School District	Cleveland	58	General Education
Westwood Preparatory Academy	Buckeye Community Hope Foundation	Cincinnati	121	Dropout Recovery, Blended

Sources: ODE, [Community School Payment Reports](#) (October 2016) and [Community School Directory](#) (version dated September 12, 2016).

While a small number of startups for 2016–17 may have been necessary given the most recent track record on the new school front, the creation of new schools—including unprecedented startups by people and organizations that may never before have run schools—is a crucial source of vitality and innovation for the charter sector. It is also the surest way to provide quality educational opportunities for children who need and deserve—but do not presently have access to—them. Sponsors (and funders and policymakers, etc.) must strike a careful balance: on the one hand, thorough and rigorous regarding the likelihood of a school’s success while, on the other hand, not turning a blind eye to imaginative ideas and new faces. It’s

also obvious—but important to bear in mind—that if school closures outnumber openings over time, the charter sector will contract and thereby forfeit its capacity to do great good for Ohio children and communities.

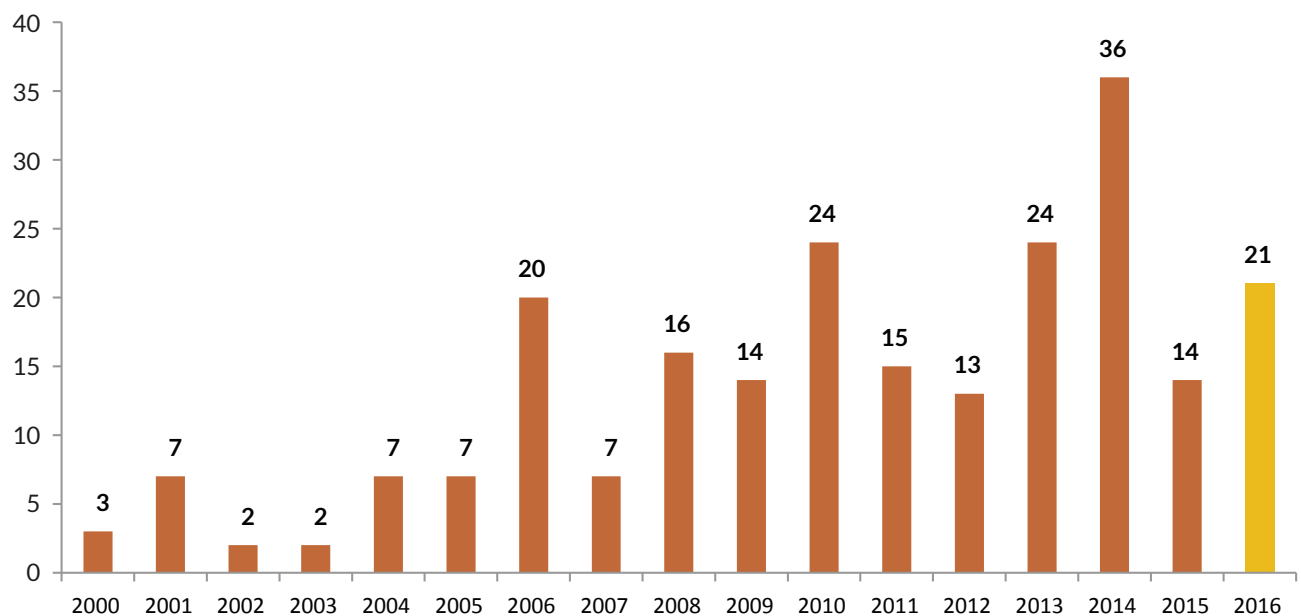
B. Charter school closures

Under HB 2, Ohio charter sponsors have a different set of incentives when it comes to closing poor-performing schools. Blatant conflicts of interest have been removed from the law; previously, sponsors that sold services (say, data management or professional development) to their schools had a financial disincentive to close them, even if the school was not performing well.

Because of the law’s new evaluation system for sponsors—one third of which is based on the academic performance of a sponsor’s portfolio of schools—one might predict that authorizers would begin non-renewing or closing schools in greater numbers after the bill went into effect, as well as refusing to enter into new contracts with any low performing school that has been non-renewed by its sponsor.

Figure 3.2 shows an overall high rate of charter school closure over the last several years, with a peak number of thirty-six schools shuttered in 2013-14. That was an atypical year in which nineteen schools closed within their first year of opening, including several that died mid-year.⁹ These abrupt closures captured news headlines, caught the attention of lawmakers, and made many aware of the problems in Ohio’s charter law. It’s important to remind readers that closure in and of itself is not necessarily a negative trend. This is what *should* occur when charter schools are under-enrolled and/or not living up to the promises in their contracts. Sponsors may opt to close a school against its wishes or do so in partnership with the governing board. Alternatively, a school may collapse financially, and thus closure is not a decision per se so much as an inevitable reality.

Figure 3.2: Ohio charters closed each year, 2000 to 2016



Source: Ohio Department of Education, Closed Community School Directory

The figure above doesn’t tell the entire story about the extent to which Ohio’s sponsors have changed their behavior on the closure front in response to HB 2. Twenty-one school closures after the 2015-16 school year is significant in its own way because it represents the first time in Ohio history that these schools were unable to hop to another sponsor. HB 2 now prohibits low-performing

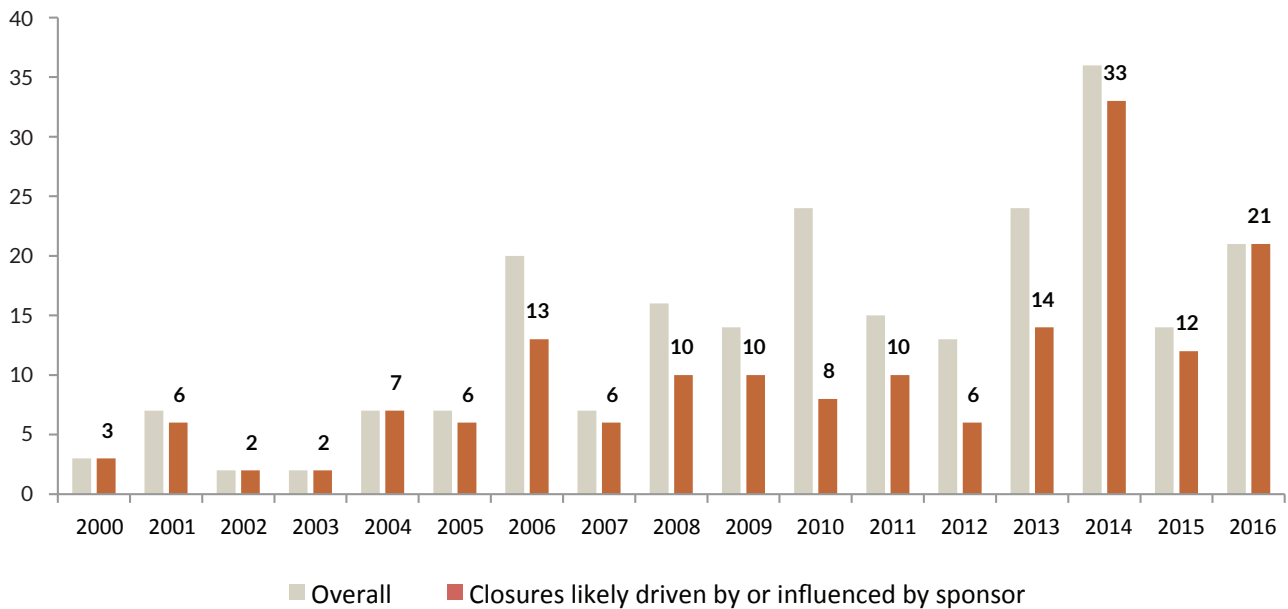
charter schools from changing sponsors, except under special circumstances. Ohio’s charter law is now structured to eliminate perverse incentives (like profiting from services sold to schools) that complicated sponsor decision-making and may have pitted oversight responsibility against financial self-interest in the past.

The reasons behind each charter school’s closure are named on ODE’s list of school closures; much of this information is self-reported by the sponsor and may include multiple reasons (e.g., academics as well as financial viability).

Figure 3.3 focuses more on the number of schools that were closed as a direct consequence of sponsor action. The chart carries over from figure 3.2 the overall number of schools closed each year (the beige columns). It also adds new columns (brown) that subtract from the totals schools that were shut for reasons unrelated to sponsor discretion: those shuttered under Ohio’s automatic closure law, which forces the most chronically low

performing charters to shut regardless of whether their governing board or sponsor would agree. It also includes those that merged or were reabsorbed into a district program.¹⁰ In other words, the brown columns reflect schools that closed for academic reasons (short of meeting the threshold for Ohio’s automatic closure), non-renewal by their sponsor, under-enrollment or lack of financial viability, non-compliance with their contract, or a combination of factors. The numbers in the brown columns reflect closures wherein sponsors likely had to exercise some degree of judgment about the academic and financial viability of the school.

Figure 3.3: Ohio charters closed—total number as well as number closed at least in part due to sponsor decision



Source: Ohio Department of Education, Closed Community School Directory

When examined in this light, 2016 had the highest number of charter closures on record in Ohio’s history except for 2014, the anomaly year. Sponsors in 2016 closed more schools than at nearly any other point in history. No schools shut because of Ohio’s automatic closure law, merger, or reabsorption—all closures reflect decision-making on the part of a sponsor and/or the schools’ governing boards. Table 3.2 lists the twenty-one schools that have closed in 2016; all except three of these schools closed at the end of the 2015–16 school year.

Table 3.2: Charter schools closed in calendar year 2016

School	Sponsor	Reason for closure	Enrollment 2015-16	PI Grade 2015-16	PI Grade 2014-15	VA Grade 2015-16	VA Grade 2014-15	DR: Overall Grade 2015-16
Life Skills Center of Hamilton County	Ohio Council of Community Schools	Suspension lifted, closed	63*					Does not meet standards
Accelerated Achievement Academy East Cincinnati	Richland Academy	Closed by sponsor	80					Does not meet standards
Cincinnati Speech & Reading Intervention	Richland Academy	Governing authority decision to close at the end of the school year	267	F	F	F	C	
Cincinnati State STEM Academy	Office of School Sponsorship	Governing authority decision to close at the end of the school year	130	D	D	NR	NR	
Columbus Bilingual Academy	Richland Academy	Low academic performance & financial issues	179	F	F	A	F	
Garfield Academy	Buckeye Community Hope Foundation	Failure to meet student performance requirements	220	F	F	B	F	
Great Expectations Elementary School	Richland Academy	Closed by sponsor	159	F	D	C	D	
Imagine Integrity Academy	Richland Academy	Closed by sponsor	81	F	F	C	NR	
Impact Academy Cincinnati	Richland Academy	Closed by sponsor	127	F	D	A	A	
Lakewood Digital Academy	Lakewood Local School District	Contract expiration	35	NR	D	NR	F	
OAK Leadership Institute	Richland Academy	Closed by sponsor	89	F	F	D	B	
Pearl Academy	Buckeye Community Hope Foundation	Failure to meet student performance requirements	217	F	F	A	F	
Virtual Schoolhouse	ESC of Lake Erie West	Failure to meet student performance requirements	345	F	F	D	A	
C.M. Grant Leadership Academy	St. Aloysius Orphanage	Financial viability	100	F	F	F	D	
City Prep Academy	Buckeye Community Hope Foundation	Closed by sponsor	72	F	NR	F	NR	
Imagine Cleveland Academy	Office of School Sponsorship	Closed by sponsor	215*	NR	D	NR	B	
Imagine on Superior	Office of School Sponsorship	Closed by sponsor	133*	NR	F	NR	NR	
Mansfield Enhancement Academy	Office of School Sponsorship	Closed by sponsor	28					Does not meet standards
Pleasant Education Academy	Pleasant Local School District	Voluntarily ceasing operations	21					NR
Utica Shale Academy Belmont	Barnesville Exempted Village School District	Mutual decision to close at the end of the school year	30	F	D	D	NR	
Southwest Licking Digital Academy	Southwest Licking Local School District	Declining enrollment	33	NR	NR	NR	NR	
Life Skills High School of Middletown	Buckeye Community Hope Foundation	Closed by governing authority - sponsor approved	54					Meets standards

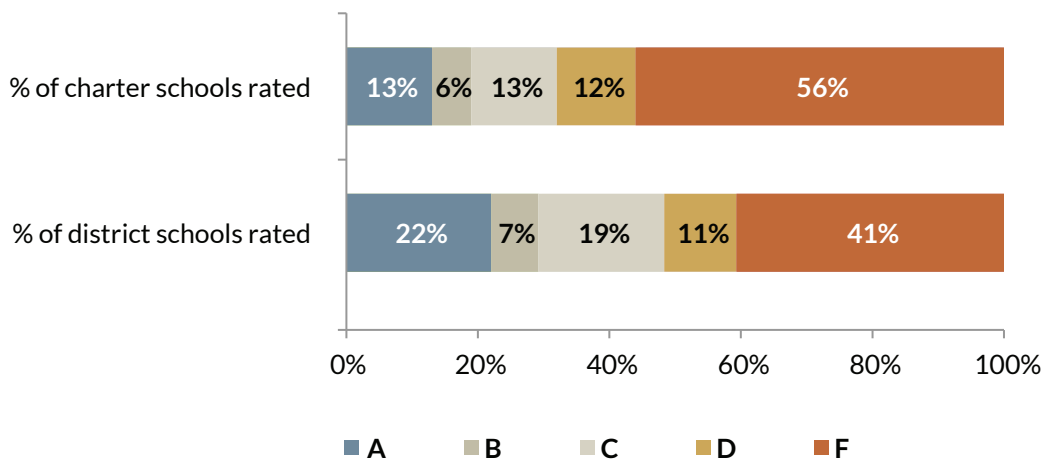
Abbreviations and notes: PI = Performance Index; VA = Value Added; DR = Dropout Recovery; NR = Not Rated. Shaded cells indicate the school would not have received a rating in the category (e.g., a dropout-recovery school does not receive conventional value added or performance index ratings). * Indicates that 2014-15 enrollment data are reported, as 2015-16 data could not be located.

C. Overall sector performance

It is too early to tell whether the HB 2 reforms have put Ohio’s charter sector on a higher performance trajectory. But it is worth considering the results from the 2015–16 school year as a baseline year. Perhaps the most useful indicator of school performance is Ohio’s value added measure, which gauges the impact of a school on student growth over time. Value added is particularly helpful when examining the results of schools in urban communities—where most charters operate—as these are not highly correlated with student demographics (unlike static measures of achievement or proficiency).

The chart below displays the distribution of value added ratings for charter schools located in Ohio’s eight major urban areas in comparison to traditional district–operated schools in those areas. As a group, these charters outperformed comparable district–run schools on this measure of performance: 29 percent of charter schools received an A or B on the value added measure while 19 percent of district schools did so. Conversely, a smaller percentage of Ohio’s urban charter schools received a D or F rating in comparison to their district counterparts (52 versus 68 percent). Cross–sector comparisons based on student achievement or proficiency rates—gauges that tend to correlate with student demographics—reveal few appreciable differences in school ratings, with the overwhelming majority of urban schools rated D or F.¹¹

Figure 3.4: Comparison of A-F value added ratings, Ohio Big Eight charter and district schools, 2015-16



Note: Number of district schools = 406; number of charter schools = 209

The other major segment of Ohio’s charter sector is online or virtual schools (aka e–schools). Because they draw students from all parts of the state, it would not be appropriate to include them in comparisons of urban schools. Rigorous, independent research has found that students attending virtual schools fall significantly behind on state exams when compared to their peers in brick–and–mortar schools (both district and charter).¹² The results from the 2015–16 report cards indicate that e–schools continued to underperform during that year, with little observable improvement. The table below displays the schools’ performance index (PI) ratings—a measure of student proficiency—and their value added (VA) ratings from the past two school years.

Table 3.3: Statewide e-school performance, 2014-15 and 2015-16

School Name	Enrollment: 2015-16	PI Rating: 2015-16	PI Rating: 2014-15	VA Rating: 2015-16	VA Rating: 2014-15
Alternative Education Academy	1,628	D	D	F	D
Buckeye On-Line School for Success	902	D	D	F	C
Electronic Classroom of Tomorrow	15,407	F	D	F	F
Insight School of Ohio	1,209	F	D	F	F
Ohio Connections Academy	3,355	D	C	F	A
Ohio Virtual Academy	9,178	D	D	F	C
Provost Academy	124	NR	NR	NR	NR
Virtual Community School of Ohio	844	D	F	F	D

4. Policy implementation

This section reviews the key provisions of HB 2 and asks whether they are being faithfully implemented. We identify fifty-seven provisions in the legislation, which we organize into four main categories: sponsor accountability, board independence, operator transparency, and miscellany. Some provisions span more than one category as they affect multiple actors within the sector (e.g., both sponsors and boards). In such cases, we use our best judgment to decide under which categories to place them—and do not repeat the discussion. To document implementation, we rely mainly on ODE’s sponsor compliance reviews, along with other publicly available documents. A complete list of statutory provisions and documentation can be found in Appendix A.

A. Sponsor accountability

Sponsor accountability is at the heart of Ohio’s charter school reforms and encompasses several areas, including sponsor evaluation, state approval, and the elimination of sponsor hopping (the ability of low-performing schools to avoid consequences by changing sponsors). Reigning in poor sponsorship practices and aligning incentives to ensure that sponsors faithfully execute their mission are the principles guiding the sponsor reforms in HB 2.

Evaluation

In 2012, Ohio created in House Bill 555 a sponsor evaluation system with three components: the academic performance of a sponsor’s schools; adherence to quality practices; and compliance with laws and regulations. Under that framework, ODE rated sponsors along three tiers: Exemplary, Effective, or Ineffective. Sponsors rated Ineffective were barred from authorizing additional schools.

HB 2 sharpened the evaluation system while also providing rewards for high-rated sponsors. It does so in four ways:

- The legislation added a new rating category, Poor, now the lowest possible rating. Should a sponsor receive this rating, the legislation requires immediate revocation of that entity’s sponsorship rights (pending appeal).
- The law escalates the consequences for Ineffective sponsors. Not only are they barred from authorizing additional schools, they are also now subject to a quality improvement plan overseen by ODE. In addition, HB 2 calls for the revocation of a sponsor rated Ineffective for three consecutive years (again, pending appeal).
- The law now offers sponsors receiving an Exemplary rating for two consecutive years a number of incentives, including automatic contract renewal with ODE, no cap on the number of schools it may sponsor, and relaxation of several school contract rules.
- HB 2 adds a few provisions contingent on an Effective or above rating, such as allowing school consolidations when sponsors are rated Effective or above.

Implementation

On October 13, ODE released sponsor ratings for the 2015–16 school year, the first time sponsors were rated under HB 2 provisions.¹³ Table 4.1 displays the ratings, the number of schools that the sponsors oversee, and the number of students attending the schools. The latter two figures are important to include because of the varying sizes of sponsors’ portfolios—from just one to over fifty schools. The majority of sponsors were rated Ineffective (60 percent); together, they authorize 62

percent of Ohio’s charter schools. Twenty-one sponsors received the lowest rating (Poor), though they are primarily small authorizers—districts or educational service centers with just one or two schools in their portfolios. Taken together, Poor-rated sponsors represent just twenty-nine schools, or 8 percent of the sector. No sponsors were rated Exemplary, the top rating, while five sponsors, authorizing 111 charter schools, received ratings of Effective.

Table 4.1: Distribution of overall sponsor ratings, 2015-16

Sponsor Rating	Number of Sponsors	Percent of Sponsors	Number of Schools	Percent of Schools	Number of Students	Percent of Students
Exemplary	0	0%	0	0%	0	0%
Effective	5	8%	111	30%	29,028	25%
Ineffective	39	60%	233	62%	81,461	71%
Poor	21	32%	29	8%	4,431	4%
Totals	65	100%	373	100%	114,920	100%

Table 4.2 displays the breakdown of sponsor ratings along the three evaluation components.

- On the **academic** portion, the plurality of sponsors received a C rating, though they are mostly sponsors with small portfolios. Larger sponsors received D or F ratings on this component. As the table indicates, these sponsors authorized the overwhelming majority of charters in Ohio (more than 300), most of which are located in high-poverty communities.¹⁴ The academic component is based on the state report card ratings of the schools authorized by a sponsor.¹⁵
- Thirty sponsors received an Exemplary rating on **compliance**. As the number of schools column indicates, these are primarily larger sponsors with an average of nearly ten schools in their portfolios. Smaller sponsors performed worse on the compliance portion of the evaluation. Eighteen sponsors were rated Ineffective on this dimension, with an average portfolio of just over two schools. More information on the compliance reviews can be found in the sidebar on page 22.
- The large majority of sponsors (fifty-two out of sixty-five) were assigned a Significantly Below rating on the **quality practices** component. Such sponsors authorized few schools, with an average of less than two schools in their portfolio. Most of the large sponsors performed well on the quality practices portion, receiving either a Meets or Exceeds rating. The quality practices review is based on standards established by the National Association of Charter School Authorizers, in consultation with Ohio sponsors.¹⁶

Table 4.2: Distribution of sponsor ratings by evaluation component, 2015-16

Academics			Compliance			Quality Practices		
Rating	N Sponsors	N Schools	Rating	N Sponsors	N Schools	Rating	N Sponsors	N Schools
A	8	10	Exemplary	30	294	Exceeds	1	42
B	2	4	Effective	17	35	Meets	8	181
C	23	29	Ineffective	18	44	Progressing	1	58
D	11	167				Below	3	20
F	15	157				Sig. Below	52	72
Not Rated ¹⁷	6	6						
Totals	65	373	Totals	65	373	Totals	65	373

HB 2 enumerates a series of incentives and penalties based on the overall sponsor ratings. Because no sponsor received an overall Exemplary rating for 2015-16, none will be eligible for those incentives starting in 2017-18. (Sponsors must earn the Exemplary rating for two consecutive years to be eligible.) Per HB 2, Poor-rated sponsors have thirty days to appeal the revocation—and sixteen of the twenty-one have indeed appealed to the state.¹⁸ This initiates hearings before the State Board of Education, which makes the final revocation decision. If the State Board confirms the revocation, ODE’s Office of School Sponsorship will become the sponsor of the “orphaned” charter schools. HB 2 requires Ineffective sponsors to create an improvement plan overseen by ODE. To assist these sponsors in creating these plans, ODE has posted guidance on its website.

Written agreements

Previous state law required certain sponsors to receive approval via written agreement with ODE. But others were exempt from this requirement,

notably school districts and educational service centers (provided they authorized conversion charters), along with two grandfathered sponsors specifically identified in statute.¹⁹ In other words, most sponsors did not need state approval to authorize schools, leaving ODE with limited leverage to impose sanctions or revoke sponsorship rights.

HB 2 closed these loopholes by requiring *all* sponsors to enter into an agreement with ODE by July 1, 2017. Grandfathered sponsors retain an exemption from the new approval process, though it is revoked if they receive Ineffective ratings for two consecutive years. Both of these sponsors received Ineffective ratings for 2015-16, putting them at risk of losing their exemptions based on their 2016-17 ratings. HB 2 requires the written agreements between the department and a sponsor to include certain provisions. It also requires the State Board to issue rules on the new approval process. The tighter screening protocols should better ensure that only high-performing entities have the future authority to sponsor charter schools in Ohio.

Implementation

The implementation of these provisions remains a work in progress, as ODE has until July 1, 2017 to approve all sponsors. The written agreements between the department and sponsors must contain the elements enumerated in HB 2, including conditions when ODE can intervene or revoke sponsorship rights; sponsors' territorial limits and caps on the number of schools; and conditions in which the department can modify the written agreements based on poor fiscal management or the lack of academic progress. Per HB 2, the term of the written agreement may be up to five years (former law allowed up to seven). ODE has posted draft rules for the new screening and approval process, and these are currently open for public comment.

Sponsor hopping

Among states with charter schools, Ohio is unusual in that there are a double-digit number of sponsorship options for each prospective or existing charter school, including several nonprofit agencies, educational service centers, local districts, and ODE. The plethora of sponsors benefit new charters by allowing them to find a sponsor that best meets their needs while also helping to ensure that no single entity monopolizes sponsorship. On the downside, the multiple authorizer environment has led to a problem known as “sponsor hopping”—when low-performing schools switch sponsors to avoid accountability, including closure. Ohio sponsors have also exhibited varying levels of oversight and commitments to quality, allowing low-performing schools to seek less stringent sponsors.

HB 2 makes sponsor hopping more difficult for low-performing schools.²⁰ The law now requires

such schools to meet four conditions before they're allowed to switch sponsors: One, the receiving sponsor must be rated Effective or above or be ODE; two, the school must enter into a new contract with the receiving sponsor (as opposed to carrying over the existing contract); three, the school cannot have previously changed sponsors; and four, ODE must approve the transfer. If the department denies the switch, the school may appeal to the State Board of Education.

Implementation

Low-performing schools seeking to switch sponsors for fall 2016 would have fallen under the new provisions of HB 2. As no sponsor had yet received a rating as of summer 2016—and in turn, there were no sponsors rated Effective or above—low-performing schools would have been limited to seeking ODE sponsorship. The agency denied all ten applications for the 2016-17 school year, including eight existing schools, which means, de facto, there was no sponsor hopping with the department as the receiving sponsor.

In October 2016, ODE awarded five sponsors an Effective rating. Assuming ODE approval, low-performing schools could switch to any of these sponsors for the 2017-18 year.²¹ Sponsors retain control over whether to accept these requests, however, and the state's sponsor evaluation system will likely limit their willingness to add low-performing schools to their portfolios.

Direct ODE sponsorship

Since 2011, ODE's Office of School Sponsorship has been allowed to sponsor a limited number of charter schools.²² Prior to HB 2, however, ODE had little authority to deny a school's application for direct sponsorship. It was required to approve applications that met certain statutory require-

ments and the law gave prospective schools an opportunity to correct application insufficiencies if initially denied by the department. HB 2 strengthened ODE's ability to deny applications, eliminated the opportunity to correct insufficiencies, and added transparency requirements.

Implementation

ODE denied all ten applications for direct sponsorship for the 2016-17 school year. Eight involved existing schools seeking a different sponsor, while two were proposed startups. The department has posted documentation stating its rationale for denying each application for direct sponsorship. Also, per HB 2, the agency has posted its criteria for accepting or denying applications.

Financial transparency

Under continuing law, Ohio sponsors may charge their schools fees of up to 3 percent of their state operational revenue. HB 2 continues to fund sponsors in this way but adds transparency requirements to incentivize them to spend these dollars on authorizing work rather than using this money to subsidize non-sponsorship activities. The law requires each sponsor to submit an annual financial expenditures report to ODE that documents spending on salaries and benefits, purchased services, materials and supplies, equipment and facilities, and other sponsor-related activities.

Implementation

Per HB 2, sponsors must begin reporting their financial expenditures starting with the 2016-17 school year. ODE has posted a reporting template and guidelines that sponsors must follow to comply with this provision, and sponsors' first deadline for reporting their expenditures is August 15, 2017.

School oversight and accountability

HB 2 re-emphasizes sponsors' monitoring, oversight, and accountability role by clarifying that they must: a) monitor a school's compliance with applicable laws; b) annually evaluate and report on school performance, both academic and fiscal; and c) intervene when schools are not meeting performance goals. In addition, the law now ensures sponsor involvement when a school is audited by the state. It also requires sponsors to verify that no findings for recovery have been issued against any board member or school or operator employee. (The Auditor of State issues a finding for recovery when public property has been misspent or misappropriated.) HB 2 generally forbids sponsors from selling services (e.g., consulting or management services) to the schools they authorize—an activity in clear conflict with their oversight responsibilities. Only district or public university sponsors may sell services to their schools, at no profit.

As for school closures: The legislation ensures that a sponsor's decision to terminate or not renew a school's contract for poor performance is final. HB 2 eliminates a school's right of appeal to the State Board of Education to override a sponsor's decision: Low-performing schools whose sponsor contracts are not renewed or are terminated for reasons of poor performance must close. HB 2 now requires a plan that to ensure an orderly closure, should a school need to cease operations in the middle of a school year. Lastly, it requires a school's fiscal officer to deliver all financial and enrollment records to the sponsor if a school is permanently closed.

Sponsor evaluation—compliance

ODE enforces several HB 2 provisions through the compliance portion of the sponsor evaluation system. Because we rely on the 2015-16 compliance reviews to track implementation, it is worth a brief description of how these reviews work.

As noted above, the third part of ODE’s sponsor evaluation system is based on a sponsor’s compliance with all applicable laws and administrative rules. The department is charged with reviewing the relevant compliance items and assigning a sponsor compliance rating.

The 2015-16 compliance instrument contained 319 items, each of which corresponded to a provision in state law or administrative code. Some items directly pertained to **sponsors**, while others applied more directly to **schools**, with the sponsor monitoring its schools’ compliance. For example, Item 3 reviewed whether sponsors complied with the prohibition on selling services to their schools—an item directly relevant to the sponsor. But Item 145 reviewed whether a charter school kept financial records in accordance with the state’s Uniform School Accounting System. That is something schools must do but also something for which sponsors are held accountable because they are tasked with overseeing their schools’ compliance with applicable laws and rules.

The department checked compliance on both types of items primarily through a sponsor certification process. For each item, sponsors were required to certify that they or their schools had either: 1) complied with the item; 2) not complied; or 3) the specific item was not applicable. Appendix B to this report displays the certification form used by sponsors. ODE required them to provide supporting documents for certain items, which the agency then reviewed to verify sponsor certification. The department randomly selected 10 percent of a sponsor’s schools—or a minimum of one school per sponsor—for a closer review.

In October, the department posted two spreadsheets with compliance results. The first, titled “Sponsor Compliance Summary,” contains the items directly related to sponsors (twenty-four items across sixty-five sponsors). The second is titled “Sampled School Compliance Summary” and contains the school-related compliance items for which sponsors are held accountable (281 items across a sample of eighty-six schools, with at least one school per sponsor). A small number of compliance items from the full 319-item list were not applicable for the 2015-16 year but will be reviewed starting in 2016-17.

Sources: Ohio Department of Education, [Sponsor Evaluation Tools](#) and [Overall Sponsor Ratings](#). “Sponsor Compliance Summary” and “Sampled School Compliance Summary.”

Implementation

Table 4.3 displays examples of HB 2 provisions related to sponsor oversight whose implementation was tracked using ODE’s sponsor compliance rubric.

Table 4.3: Compliance on oversight and accountability provisions in House Bill 2

Compliance Item Number	Description of Item	ODE Verification Method	ORC Reference
78	The sponsor provides monitoring, oversight, and technical assistance to schools regarding applicable laws and contract terms.	Sponsor certification	3314.023
81	The sponsor participates at meetings between sponsored schools and the Auditor of State, maintaining regular communication regarding school audits and topics consistent with ORC 3314.019.	Sponsor certification	3314.019
3	The sponsor does not sell goods or services to any community school it sponsors or meets one of the exceptions set forth in ORC 3314.46.	Sponsor certification	3314.46
42	The sponsor follows proper procedures consistent with ORC 3314.07 regarding contract renewal or termination.	Sponsor certification	3314.07
74	The sponsor has a plan of action in place should a school experience financial difficulties or need to close before the end of the school year.	Sponsor certification & submission of plan	3314.023

School contracts

A sponsor and a school governing board must enter into a contract in order for a charter school to open and operate. Continuing Ohio law enumerates a number of elements required in these contracts—some are basic assurances such as adhering to health and safety laws; providing learning opportunities for a minimum number of hours per year; and ensuring an annual financial audit. Each contract must be posted on ODE’s website.²³

HB 2 added four mandatory elements to school-sponsor contracts.

- They must now include a facilities addendum that discloses the annual lease or mortgage and interest costs along with the name of the landlord or lender. This is an important transparency requirement, as several charter governing boards have entered into questionable facility arrangements with their school operators, creating a conflict of interest between the board and management company.²⁴

- Contracts must now contain a provision stating that the schools' attendance and participation policies are a public record and that student attendance and participation records are available to ODE, the Auditor of State, and a school's sponsor (subject to FERPA privacy protections).
- Contracts must include descriptions of how a blended learning model, if applicable, is implemented. Generally speaking, blended learning is an educational approach that combines online and face-to-face instruction.
- Contracts must include a provision that any loan by an operator to a school's governing board must be disclosed and must bear interest at a fair market rate.

Implementation

The key addition to sponsor contracts is the addendum disclosing a school's facility arrangements. Compliance was checked under Item 67 of the department's compliance rubric; figure 4.1 displays an example of such an addendum for Columbus Collegiate Academy-West, a school sponsored by the Thomas B. Fordham Foundation.²⁵

Figure 4.1: Example of a facilities addendum to a school-sponsor contract

EXHIBIT 9: FACILITIES ADDENDUM

A stipulation of which entity owns all community school facilities and property, including but not limited to equipment, furniture, fixtures, instructional materials and supplies, computers, printers, and other digital devices purchased by the Governing Authority or operator. Any stipulation regarding property ownership shall comply with the requirements of section 3314.0210 of the Revised Code.

Columbus Collegiate Academy - West owns all Community School property, with the exception of the lease for building and property as set forth in the lease.

School facilities information must include:

- (a) A detailed description of each facility used for instructional purposes;
- (b) The annual costs associated with leasing each facility that are paid by or on behalf of the school;
- (c) The annual mortgage principal and interest payments that are paid by the school; and
- (d) The name of the lender or landlord, identified as such, and the lender's or landlord's relationship to the operator, if any.

Information for the facility is noted below. Any contracts related to school facilities are subject to change at the discretion of the school's Governing Authority. Any lease contract(s) and any updates thereto must be submitted to the sponsor via Epicenter.

Description of Facility	Dana Elementary School building, approximately 47,080 square feet on approximately 3.5 acres of land, located at 300 South Dana, Columbus, Ohio 43223. Tax Parcel ID #010-066695
Annual Costs	\$135,371.44 for FY 2015
Annual Mortgage Principal and Interest Payments	N/A
Name of Landlord or Lender and Relationship to Operator	Columbus City School District. No organizational relationship to the United Schools Network.

B. Board independence

Akin to district school boards, charter boards are vested with operational control over the school. In order to make decisions in the best interests of students, governing board members should not be compromised by conflicts of interest. Continuing state law established some guidelines meant to mitigate such conflicts: Most notably, the state prohibits employees of charter operators or sponsors from serving on a board. Conversely, board members and their immediate relatives are barred from employment with a sponsor or operator within one year of leaving the board. Despite these guardrails, questions continued to be raised regarding how truly independent charter boards are, especially in the face of an operator that could exert influence over them. More discussion on charter boards and their relationships with management companies can be found in Bellwether/Fordham's *Road to Redemption*.²⁶

Conflicts of interest and ethics

HB 2 tackled potential conflicts of interest in several ways: One, it prohibits board members from also serving on a district board or working for a district or educational service center (if sponsored by such an entity). Two, state law now requires each board member to file an annual disclosure of potential conflicts of interest. Three, the legislation requires charters to post board member names on their website and to provide names and addresses to their sponsor and ODE if requested.

Another way that HB 2 limits conflicts of interest is by imposing a tighter cap on board compensation. If a board adopts a compensation policy—which it may do at its own discretion—no member can receive more than \$5,000 per year or \$125 per meeting.²⁷ While the annual cap remains the same as under previous law, per-meeting remuneration was reduced from \$425.²⁸

The reform legislation adds new ethics requirements for board members, now barring individuals who have been convicted of or plead guilty to immoral or criminal conduct. And it requires governing board members to participate in public records training.²⁹

Implementation

The compliance rubric requires sponsors to certify that none of their board members is also a district or educational service center board member (Item 309); the posting of board members' names on school websites (Item 52); and board training on state public-records laws (Item 50). The sponsor compliance review also relies on signed conflict of interest statements as supporting documentation verifying school compliance with conflict of interest laws (Items 309 and 267). The requirement that board members undergo a background check is part of sponsors' annual opening assurances, submitted to ODE and required under continuing law, for each of their schools. Adherence to board compensation laws is part of a school's annual fiscal audit.

Operational control

HB 2 ensures that charter governing boards exercise independent control over their schools. On fiscal matters, the legislation strengthens boards in two key ways. They must now employ or contract with independent fiscal officers unless the sponsor approves a board resolution waiving this obligation. And they must adopt annual budgets under the guidance of their fiscal officers.

HB 2 also empowered governing boards when contracting with external school operators. First, it requires a board considering such a move to hire an attorney, independent of both the school's sponsor and its intended operator, who provides legal counsel when negotiating an operator

contract.³⁰ Second, the law now makes clear that school property (like desks, textbooks, or computers) is owned by the governing board, even if the school’s operator purchased them. Previously, a lack of clarity regarding this ownership undermined boards’ ability to terminate operator agreements, as doing so might entail the loss of assets.³¹ (The ownership of buildings and land is not addressed in this particular provision, but must now be part of an operator contract.) Finally, HB 2 repealed an operator’s right to appeal the termination of a contract with a governing board. Previously, a disgruntled operator could appeal termination to the school’s sponsor or the State Board of Education; if the operator won such an appeal, it could then fire the school’s board and appoint a new one.³²

Implementation

These board-related provisions are checked as part of the sponsor compliance reviews. In 2016–17, the department will start reviewing the provisions calling for independent fiscal officers and school budgets, as HB 2 specifically cites that year as the effective date. Per HB 2, ODE has posted on its website guidance and a template for school budgets.

Table 4.4: Compliance on board-related provisions in House Bill 2

Compliance Item Number	Description of Item	ODE Verification Method	ORC Reference
84	The school's fiscal officer is hired consistent with the requirements of ORC 3314.011.	Sponsor certification & board resolution	3314.011
54	Boards must adopt annual school budget.	Sponsor certification	3314.032
51	Boards must hire an independent attorney when negotiating contracts	Sponsor certification	3314.036
55	Ownership of school assets must be specified in operator contracts, consistent with 3314.032	Sponsor certification	3314.032

C. Operator transparency

Roughly two in three of Ohio’s charter schools are operated under contracts between their governing boards and outside school operators. In certain cases, operators receive virtually all of the school’s funding to carry out their responsibilities (e.g., hire teachers, purchase supplies, and so forth). In Ohio, the transparency around operator performance—both fiscal and academic—had been quite limited. Under previous law, schools had to disclose expenses related to an operator agreement in a footnote to their financial reports.

While this did offer a modicum of fiscal transparency, it did not include detailed financial information and did not align to customary methods of reporting school expenditures.³³ Transparency around academic results was also inadequate, as the state offered no way to examine the academic success of Ohio’s many operators and made little information available as to which operators ran which schools.

HB 2 shines a brighter light on charter operators, including management arrangements, financial expenditures, and academic performance. The

legislation calls for more detailed financial disclosures from operators that receive more than 20 percent of a school’s revenue. The legislation requires ODE to post the names and contracts of all operators, and to publish an annual operator performance report.

Implementation

As a result of HB 2, transparency around operators has increased considerably. Two major pieces are the directory of charter operators and the report on their performance. ODE’s directory contains contact information for each operator, the schools

it operates, and the expiration date of each contract that the operator holds with each governing board. Table 4.5 lists the thirty-eight operators identified by the department; taken together, they manage 228 charter schools. Another 131 charter schools do not have an operator. In November 2016, ODE released the first of its annual operator performance reports. Per requirements of HB 2, the agency has posted each operator contract and it checks compliance on an operator’s financial disclosure through the sponsor evaluation system (Item 73).

Table 4.5: Ohio charter operators, 2015-16

Operator Name	Number of Schools Operated	Operator Name	Number of Schools Operated
Accel Schools Ohio LLC	25	K-12, Inc.	2
A J Hart Management LLC	2	Leona Group	7
Altair Management	1	Lighthouse Youth Services	1
Breakthrough Charter Schools	10	Mangen & Associates	1
Cambridge Education Group	19	Miniya Associates LLC	3
Center for School Improvement	2	National Center for Urban Solutions	2
Cincinnati City School District (Carpe Diem)	2	National Heritage Academies	10
Cincinnati Education Management LLC	1	New Philadelphia City School District	1
Concept Schools	17	OhioGuidestone	1
Connections Education	4	Performance Academies	11
Constellation Schools LLC	17	Southern Local School District	1
Edison Learning Group	5	Summit Academy Management	27
Educational Empowerment Group	4	Tatonka Education Services	1
Educational Solutions Co.	3	Tri-Rivers Joint Vocational Center	1
eSchool Consultants, LLC	3	United Disability Services, Inc.	1
Global Educational Excellence	1	United Schools Network	3
I CAN Schools	7	Van Wert City School District	1
Imagine Schools	13	White Hat Management	13
Institute of Management and Resources	4	World Class Community Schools	1

Source: Ohio Department of Education, “[Community School Operators 2016](#).”

D. Miscellany

The reform legislation addresses several matters that do not fit into the categories above, but are still consequential. In the realm of virtual charter schools—a segment of the sector that has particularly struggled with performance (table 3.3)—HB 2 now requires them to comply with [iNACOL](#) operating standards and requires sponsor monitoring of such standards. The bill permits e-schools to provide locations for student counseling and assistance and it requires them to: a) keep an accurate record of participation in daily learning opportunities; b) offer a student orientation course; and c) communicate with parents about the child’s academic progress. ODE’s sponsor compliance rubric contains items that verify whether an e-school is complying with iNACOL standards (Item 15); that it maintains student participation records accurately (Item 11); and that it is complying with the orientation and parent engagement requirements (Item 10).

Three HB 2 provisions call for a study and/or recommendations on how to address a particular issue in charter school accountability.

- The legislation requires ODE to study the potential use of the “California Similar Students Measure” for school report cards. The department’s report was released on November 29 with a recommendation that it not be used for accountability purposes in Ohio.
- HB 2 directs the State Board of Education to examine the measures used to hold accountable charter schools that enroll mostly students with disabilities. After study, the State Board determined that no changes are warranted at this time.

- Ohio has almost 100 dropout-recovery charter schools, which serve primarily pupils who are at-risk of dropping out; the schools are currently held accountable using alternative report card measures. HB 2 called for a study committee that, among other things, would examine the way dropout-recovery charter schools are rated and held accountable. This committee met throughout summer 2016 and reached no conclusions; a new panel has formed to continue study of this issue.

The bill also requires an addendum on districts’ report cards that displays the results of any district-sponsored dropout-recovery school. This transparency requirement was put in place due to concerns that the current system incentivized districts to create dropout-recovery schools for low-achieving students and thereby boost their traditional high school’s performance results. These addenda are now included as of the 2015-16 school year.

HB 2 exempted newly hired employees of a charter operator from double paying into both Social Security and the state pension retirement systems. Affected employees are now exempted from mandatory participation in the pension system and the provision is checked as part of the sponsor compliance review (Item 249).³⁴

Charter schools are now required to notify ODE and the Auditor of State when a student resides in a residential center. This provision is checked in the sponsor-compliance review (Item 49). And HB 2 requires a new startup school (or its sponsor or operator) to post a \$50,000 bond or cash deposit with the Auditor of State to cover auditing costs should they be incurred. Item 2 in the sponsor compliance evaluation covers this provision, taking effect with schools opening in 2016-17.

5. In closing

Among the most enduring education reforms of the past twenty-five years is public charter schools. One of the key ideas behind charters is that educators need autonomy to implement different approaches to education—tailored to the individual needs of students—outside of our more rigid and traditional school systems. The bargain: In exchange for the flexibilities they enjoy, charters must demonstrate solid student outcomes.

Across the nation, this model has given life to many excellent schools. For example, Boston’s high-performing charter sector is helping low-income and minority students make remarkable academic progress, narrowing persistent achievement gaps.³⁵ Rigorous analyses by CREDO have found that charters in cities such as Indianapolis, Memphis, and New York City generate weeks or months of additional student learning.³⁶ Ohio’s charter story has been more mixed, and some of the unevenness in sector performance can be traced to the weaknesses in former state law.

With the passage of HB 2, state lawmakers have significantly strengthened Ohio charter policies. This was a necessary first step in the effort to reboot Ohio’s charter sector. The next step is implementation and, as this report indicates, that work has started in earnest and is starting to have an impact on the sector. Much more remains, including making some critical adjustments to the design of the sponsor evaluation system. There is also a glaring need for more equitable funding, as Buckeye charters receive about one-third less in total taxpayer support than their nearest school districts. This puts charters at a disadvantage in hiring and retaining top talent and securing modernized facilities. Nevertheless, to their great credit, Ohio policy makers have laid a solid foundation for the sector to build upon. Now it will take many helping hands to construct Ohio’s new and much improved charter sector.

6. Appendices

Appendix A: Listing of House Bill 2 provisions

The following tables display the provisions contained in [House Bill 2](#), split into four main categories: sponsor accountability, board independence, operator transparency, and miscellaneous provisions. The statutory references (Ohio Revised Code or ORC) can be found [online](#). Commonly used abbreviations in these tables are ODE = Ohio Department of Education and SBOE = State Board of Education.

Sponsor accountability

Legislative provision	Evidence of implementation	ORC reference	Implementation
Sponsor Evaluation: Overall sponsor ratings based on three evaluation components: Academics, Compliance, and Quality Practices.	The evaluation rubric and technical documents are available at ODE, Overall Sponsor Ratings and Sponsor Evaluation Tools .	3314.016(B) (1)	Yes
Sponsor Evaluation—Ratings: Overall ratings assigned based on four categories: Exemplary, Effective, Ineffective, and Poor.	The evaluation results are available at ODE, Overall Sponsor Ratings and Sponsor Evaluation Tools .	3314.016(B) (6)	Yes
Sponsor Evaluation—Incentives for Exemplary Sponsors: Sponsors receiving an Exemplary rating two consecutive years may take advantage of the following incentives: automatic contract renewal with ODE (up to ten years); flexibility on school contract deadlines; no caps on schools; and no territorial restrictions.	One round of evaluations has been completed; thus, no sponsor is currently eligible for the incentives.	3314.016(B) (7)	Not yet applicable
Sponsor Evaluation—Incentives for Effective Sponsors: Exempts charter schools merging or consolidating from requirement to disburse assets as if one school closed, if the sponsor is rated Effective or above. Under certain conditions, allows low-performing schools to switch to an Effective sponsor.	Five sponsors were rated Effective in 2015-16, and they may take advantage of these provisions starting in 2016-17.	3314.074	Yes
Sponsor Evaluation—Sanctions for Ineffective Sponsors: Sponsors rated Ineffective are prohibited from opening additional schools and subject to an improvement plan. Ineffective sponsors for three consecutive years have authority revoked, subject to an appeal to SBOE.	Sponsor improvement plan guidance is available at ODE, " Sponsor Improvement Plan Overview ." The prohibition on new schools is applicable for 2017-18.	3314.016(B) (7)	Yes
Sponsor Evaluation—Sanctions for Poor Sponsors: Sponsors rated Poor have their rights revoked, subject to an appeal to SBOE.	21 sponsors were rated Poor in 2015-16.	3314.016(B) (7)	Yes
Sponsor Evaluation—Transparency: ODE must post a list of sponsors prohibited from authorizing new schools and those that have closed.	ODE has posted a list of sponsors and those that have been prohibited from sponsoring new schools, though it has not been updated to reflect the most recent evaluations. The list is available at ODE, " Sponsor Ratings, Sponsors Prohibited from Opening New Schools and Sponsors with Closed Schools ."	3314.039	Yes

Legislative provision	Evidence of implementation	ORC reference	Implementation
Sponsor Approval: All sponsors, with the exception of two grandfathered sponsors, must receive ODE approval via written agreement.	HB 2 requires written agreements between sponsors and ODE by July 1, 2017.	3314.015(B)	Not yet applicable
Sponsor Approval—Written Agreements: Certain provisions must be included in the agreements, such as conditions for intervention and revocation, territorial restrictions, limits on the number of schools; agreements must specify the maximum term of the agreement (five years) and conditions for renewal.	HB 2 requires written agreements between sponsors and ODE by July 1, 2017.	3314.015(B)	Not yet applicable
Sponsor Approval—Grandfathered Sponsors: If grandfathered sponsors receive an Ineffective rating for two consecutive years, they must enter into a written agreement to sponsor schools.	Both grandfathered sponsors received an Ineffective rating in 2015-16.	3314.015(B); cf. 3314.021 and 3314.027	Not applicable
Sponsor Approval—Administrative Rules: SBOE must adopt revised administrative rules on processing and approving sponsor applications, overseeing sponsors, and revoking sponsorship.	ODE has posted revised draft rules for processing sponsor applications, oversight, and revocation. The proposed rules are currently open for public comment and available at “Public Comments Requested on Community School and Sponsor Rules.”	3314.015(B)	Not yet applicable
Sponsor Approval—Transparency: Information about all entities that have submitted an application to sponsor schools, including reasons for approval or denial.	ODE has posted a listing of sponsor applications received since 2010-11; available at “New Sponsor Applications Since 2010-11.”	3314.039	Yes
Sponsor Financial Transparency: Each sponsor must report its annual expenditures to ODE and to the governing boards of the schools they authorize.	Sponsors must begin reporting their financial expenditures in 2016-17. Compliance was not reviewed under the sponsor compliance rubric in 2015-15 but will be starting in 2016-17; ODE, “2015-16 List of All Laws and Rules” (Item 72).	3314.025	Yes
Sponsor Financial Transparency—Reporting Template: ODE must create a format and guidelines for reporting expenditures.	ODE has posted guidelines available “Sponsor Expenditure Reporting.”	3314.025	Yes
ODE Direct Sponsorship: ODE has greater discretion in accepting or denying applications for direct sponsorship through its Office of School Sponsorship	ODE denied all ten applications for direct sponsorship for the 2016-17 school year. More information is available at “2016-17 Applications for Sponsorship.”	3314.029	Yes
ODE Direct Sponsorship—Transparency: ODE must adopt and post criteria for approving applications for direct sponsorship.	Applications and criteria for approval are available at ODE, “Ohio School Sponsorship Program.”	3314.029	Yes
Sponsor Hopping: Low-performing schools, as defined by state ratings, cannot switch sponsors unless the new sponsor is rated Effective or above or is directly sponsored by ODE. ODE must approve the transfer of sponsorship.	Compliance with the provision is part of the sponsor compliance rubric; see ODE “2015-16 List of All Laws and Rules” (Item 53).	3314.034	Yes

Legislative provision	Evidence of implementation	ORC reference	Implementation
Sponsor Oversight and Accountability: Clarifies the responsibilities of sponsors. They must monitor school's compliance with laws and regulations; evaluate and report on schools' fiscal and academic performance; provide technical assistance; and take corrective action when schools fail to meet performance goals.	Sponsors certify they are carrying out these responsibilities; see ODE, " 2015-16 List of All Laws and Rules " (Item 78).	3314.023	Yes
Sponsor Oversight and Accountability—School Audits: Sponsors must be engaged in a state audit of a school's financial or enrollment records. The Auditor of State must provide written notice to sponsors regarding such an audit and sponsors must communicate with the Auditor and attend meetings.	Sponsors certify compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 81).	117.105 and 3314.019	Yes
Sponsor Oversight and Accountability—Findings for Recovery: Sponsors must verify that the Auditor of State has not issued a finding for recovery for any board member, the operator or school employee.	Compliance with the provision is part of the sponsor quality practices evaluation; see ODE, " Sponsor Quality Practices Rubric " (p. 23).	3314.02(E)	Yes
Sponsor Oversight and Accountability—Selling Services: Sponsors cannot sell services to their schools except for district or state university sponsors at no profit.	Sponsors certify compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 3).	3314.46	Yes
Sponsor Oversight and Accountability—Contract Termination and Non-Renewal: Sponsors' decisions to terminate or not renew school contracts due to poor academic or fiscal performance results in the closure of a school. The right to appeal contract termination to SBOE is eliminated.	Sponsors certify compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 42).	3314.07	Yes
Sponsor Oversight and Accountability—Closed Charter Schools: ODE must post a list of closed schools with reasons for closure.	Available at ODE, list titled " Community Schools That Have Closed ."	3314.039	Yes
Sponsor Oversight and Accountability—Plan for Financial Distress or Mid-Year Closure: Sponsors must have a plan of action should a school experience financial difficulties or need to close mid-year.	Sponsors certify compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 74).	3314.023(F)	Yes
Sponsor Oversight and Accountability—Pre-Opening Assurances (Blended Learning): Sponsors must provide pre-opening assurances to ODE on various dimensions of blended learning (e.g., attendance, monitoring progress, etc.).	Sponsors certify compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 21). ODE has issued guidance, available at " House Bill 2 Guidance for Blended Learning for Community Schools ."	3314.19(N)	Yes
Sponsor-School Contracts—Facility Disclosures: Contracts must include an addendum with a description of school facilities and costs of the lease or mortgage payments. Lender or landlord must be disclosed along with any relationship it may have with the school's operator.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 67).	3314.03(A) (9)	Yes
Sponsor-School Contracts—Attendance and Participation Policies and Records: Contracts must include a provision that school attendance/participation policies are publicly available and that records are available to certain state officials and a school's sponsor.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 56).	3314.03(A) (27-28)	Yes

Board independence

Legislative provision	Evidence of implementation	ORC reference	Implementation
Conflicts of Interest—District or Educational Service Center Board Members or Employees: Charter board members cannot be a member of a district board and vice-versa. No employee of a district or ESC can serve on a charter board (if sponsored by that particular district or ESC).	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 309).	3313.131 and 3314.02(E) (8); 3314.02(E) (6)	Yes
Conflicts of Interest—Disclosure: Each board member must file annually a disclosure statement that lists any conflict of interest.	Signed conflict of interest statements are used as documentation to verify conflict of interest provisions; see ODE, " 2015-16 List of All Laws and Rules " (Items 267 and 309).	3314.02(E)	Yes
Conflicts of Interest—Transparency: Requires each school to post on its website the names of their board members.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 52).	3314.035	Yes
Board Compensation: Limits compensation to \$125/meeting or \$5,000 annually for each board member.	Charter school audits include a check on board compensation policies. See Auditor of State, Ohio Compliance Supplement (Section 3-3).	3314.02(E)	Yes
Ethics and Background Checks: Individuals who would otherwise have had their educational licenses revoked or suspended for reasons of immoral or criminal conduct are barred from board membership. Board members must undergo a criminal background check.	Sponsors certify that board members have undergone a background check in their annual assurances; see ODE, 2016-17 Sponsor Opening Assurances .	3314.02(E)	Yes
Ethics—Public Records: Board members, fiscal officers, and school administrative staff must participate in annual training on public-records laws.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 50).	3314.037	Yes
Operational Control—Independent Fiscal Officers: Boards must employ or contract with a fiscal officer independent of a school's sponsor or operator unless the board waives this obligation and the waiver is approved by the sponsor.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 84). This item was not counted in the sponsor-evaluation rubric in 2015-16, and compliance will be reviewed starting in 2016-17.	3314.011(A) and (D)	Yes
Operational Control—Surety Bond: Fiscal officers must execute a bond to assure faithful performance.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 92).	3314.011(B)	Yes
Operational Control—School Budgets: Starting in 2016-17, boards, with assistance of fiscal officer, must adopt an annual budget.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 54). This item was not counted in the sponsor evaluation rubric in 2015-16, and compliance will be reviewed starting in 2016-17.	3314.032(C)	Yes

Legislative provision	Evidence of implementation	ORC reference	Implementation
Operational Control—School Budget Template: ODE must create guidelines and format for the school budget.	ODE has published guidelines and a template for creating school budgets; available at ODE, " Community School Annual Budget ."	3314.032	Yes
Operational Control—Independent Attorney: School boards must hire independent counsel when negotiating a contract with a sponsor or operator.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 51).	3314.036	Yes
Operational Control—Ownership of Assets: Clarifies that school equipment and furniture belong to the governing board, not an operator (ORC 3314.0210). Operator contracts with boards must include stipulations on ownership of facilities and property and must conform to 3314.0210.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 55).	3314.0210 and 3314.032(A)	Yes
Operational Control—Contract Termination: An operator's right to appeal the termination of a contract with a governing board is eliminated.	No implementation required	Repeal 3314.026	Not applicable

Operator transparency

Legislative provision	Evidence of implementation	ORC reference	Implementation
Transparency—Financial Expenditures: Operators that receive more than 20 percent of school revenue must provide a detailed accounting of their expenses for each school they operate.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 73).	3314.024	Yes
Transparency—List of Operators: ODE must publish and maintain a list of all operators on its website.	Available at ODE, " 2016 Community School Operators ."	3314.031	Yes
Transparency—Operator Contracts: ODE must post operator contracts on its website.	Available at ODE, " Community School Documents ."	3314.031	Yes
Transparency—Performance Report: ODE must publish an annual operator performance report.	Available at ODE, " Community School Operator Performance Reports ."	3314.031	Yes
Transparency—Operator Leases: An independent real-estate professional must certify via addendum that any lease between an operator and its school is commercially reasonable.	Sponsors submit this as an addendum to its school contracts to ODE; ODE, Community School Contract Review Checklist, 2016-17.	3314.032(B)	Yes

Miscellaneous provisions

Legislative provision	Evidence of implementation	ORC reference	Implementation
E-schools—Standards: Requires compliance with iNACOL standards and sponsor monitoring of compliance.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 15).	3314.23	Yes
E-schools—Student Support: Permits e-schools to provide locations for counseling and testing assistance within a fifty-mile radius of a student's residence.	No implementation required	3314.251	Not applicable
E-schools—Participation Records: E-schools must keep an accurate record of student participation in daily learning opportunities.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 11).	3314.27	Yes
E-schools—Orientation Course and Parental Engagement: E-schools must offer a student orientation course and must communicate with parents about student progress.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 10).	3314.271	Yes
E-schools—Orientation Course Development: ODE must provide guidance on developing and delivering orientation course.	None known	3314.271	No
School Accountability—Dropout Recovery Schools: District-sponsored dropout recovery charter (conversion) results are not to be combined into district report cards. However, state is to include an addendum on a district's report card with the charter's ratings.	District report cards include an addendum, if applicable; for examples, see the last page of Hamilton Local and London City report cards.	3302.03(I)(1)	Yes
School Accountability—California Similar Students Measure: ODE must conduct a study of this measure and issue report by December 1, 2016.	ODE published the report on November 29, 2016: Patrick O'Donnell, " School rating system that charter schools sought gets thumbs down from the state ed department ," <i>Cleveland Plain Dealer</i> (November 29, 2016).	3302.037	Yes
School Accountability—Charters Enrolling Primarily Students with Disabilities: Requires SBOE to make recommendations on performance standards for charter schools enrolling primarily students with disabilities while reviewing their exemption to the state's automatic closure law.	Current closure exemption has been maintained by the state board, while research on alternative accountability arrangements is ongoing. For more information, see " Panel Votes to Maintain Closure Exemptions for Charter Schools Serving Disabled, Delays Further Recommendations ," Gongwer (September 12, 2016) and ODE, " Stakeholder Input on Performance Measures for Community Schools Serving Students with Disabilities ."	None but found in House Bill 2, Section 4	Yes
School Accountability—Dropout Recovery Charter School Study Committee: Creates a committee to make recommendations on definition of "quality" and competency-based funding in the context of dropout-recovery charter schools.	Meetings were held during summer 2016, with the committee recommending that additional research be conducted. See " Dropout School Study Panel to Extend Its Work on Accountability, Quality Standards ," Gongwer (July 21, 2016).	None but found in House Bill 2, Section 5	Yes
Retirement Benefits: Exempts new teachers hired by a charter operator who pays or withholds social security benefits from mandatory participation in STRS; applies also to non-teaching staff hired by an operator.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 249).	3307.01(2) and 3309.013	Yes
Enrollment Reporting: Requires a school to notify ODE and the Auditor of State when a student resides in a residential center.	Sponsors certify their schools' compliance; see ODE, " 2015-16 List of All Laws and Rules " (Item 49).	3314.038	Yes
Bond or Cash Deposit for New Schools: Requires a \$50K bond, cash deposit, or written guarantee from a school, sponsor, or operator before opening a new school in order to cover any potential auditing costs.	The provision takes effect for any new schools opening in fall 2016; compliance will be checked by ODE starting in 2016-17, " 2015-16 List of All Laws and Rules " (Item 2).	3314.50	Yes

Appendix B: Sponsor compliance certification form³⁷

CERTIFICATION OF COMPLIANCE WITH ALL LAWS AND RULES

- A. O.R.C. 3314.016 requires the Ohio Department of Education to annually evaluate all entities that sponsor community schools;
- B. A component of the annual evaluation of sponsors of community schools by the Ohio Department of Education includes an evaluation of a sponsor’s compliance with all applicable laws and administrative rules;
- C. [insert name of sponsor] (the “Sponsor”) was a sponsor of community schools during the 2015-2016 school year; and
- D. [insert name], as the [insert title] of the Sponsor, has the authority to certify, to the best of his or her knowledge, [insert name of sponsor]’s compliance with all applicable laws and administrative rules.

On behalf of the Sponsor, the undersigned hereby certifies to the Ohio Department of Education (“ODE”) that the Sponsor has complied with all laws and rules, as outlined below:

1. Sponsor’s Compliance with Laws and Rules:

The Sponsor has complied with the following laws and rules outlined in the list provided by ODE:

The Sponsor has not complied with the following laws and rules outlined in the list provided by ODE:

The Sponsor certifies that the following laws and rules outlined in the list provided by ODE are not applicable to the Sponsor:

The Sponsor further certifies to ODE that the supporting documentation submitted to ODE is complete and accurate for purposes of demonstrating its compliance with such laws and rules, with the understanding that ODE may confirm compliance and may randomly sample community schools and items as required to validate this Certification and acknowledges and agrees that ODE may adjust the initial score based on the results of such validation.

2. Sponsor's Oversight of Compliance by the following schools that it sponsored for school year 2015-2016:

In its capacity as a Sponsor of _____ school(s) (the "School" or "Schools"), the Sponsor certifies that it has monitored the School's compliance with the applicable laws and rules and that the School is in compliance with the following applicable laws and rules:

In its capacity as a Sponsor of _____ school(s) (the "School" or "Schools"), the Sponsor certifies that it has monitored the School's compliance with the applicable laws and rules and that the School is not in compliance with the following applicable laws and rules:

In its capacity as a Sponsor of _____ school(s) (the “School” or “Schools”), the Sponsor certifies that it has monitored the School’s compliance with the applicable laws and rules and that the following laws and rules are not applicable to the School:

3. The Sponsor further certifies to ODE that the supporting documentation submitted to ODE is complete and accurate for purposes of demonstrating its compliance with such laws and rules, with the understanding that ODE may confirm compliance and may randomly sample community schools and items as required to validate this Certification and acknowledges and agrees that ODE may adjust the initial score based on the results of such validation.
4. The Sponsor acknowledges and agrees that this information will be relied upon by ODE in conducting the sponsor evaluation process required under Ohio Revised Code Section 3314.016.

[INSERT SPONSOR NAME]

Sign: _____

Print: _____

Title: _____

Date: _____

7. Endnotes

- ¹ National Alliance for Public Charter Schools, [Charter School Data Dashboard: Ohio \(2014-15\)](#).
- ² Daniela Doyle, [Authorizer Hopping: Motivations, Causes, and Ways to Stop It](#), National Association of Charter School Authorizers (2014).
- ³ CREDO, [Charter School Performance in Ohio](#) (December 2014)
- ⁴ Jennifer Smith Richards and Bill Bush, “[Columbus Has 17 Charter School Failures in One Year](#),” *Columbus Dispatch* (January 12, 2014) and Nolan Rosenkrans, “[Nebraska Ave. Charter School That Opened in Fall Shuts Doors](#),” *Toledo Blade* (February 11, 2014).
- ⁵ Louann Bierlein Palmer, et al., [Turning the Corner to Quality: Policy Guidelines for Strengthening Ohio’s Charter Schools](#), Fordham Institute, National Alliance for Public Charter Schools, and National Association for Charter School Authorizers (2006).
- ⁶ Juliet Squire, Kelly Robson, and Andy Smarick, [The Road to Redemption: Ten Policy Recommendations for Ohio’s Charter School Sector](#), Fordham Institute and Bellwether Education Partners (December 2014).
- ⁷ Jackie Borchardt, “[Gov. John Kasich Vows To Get Tough on Charter Schools, Hints at Tax Reform in 2015 Budget](#),” *Cleveland Plain Dealer* (December 18, 2014).
- ⁸ Jim Siegel, “[Lawmakers Pass Charter School Reform Bill](#),” *Columbus Dispatch* (October 8, 2015).
- ⁹ Jamie Davies O’Leary, “[Expecting More of Our Gatekeepers of Charter School Quality](#),” *Ohio Gadfly Daily* (October 5, 2015).
- ¹⁰ The automatic closure law is found at [ORC 3314.35](#). Mergers back into the district occur when charter schools are district-sponsored and the school is not really “closed” but reabsorbed into the district.
- ¹¹ For more on the 2015-16 school report card results, see Aaron Churchill, [Setting Sights on Excellence: Ohio’s School Report Cards, 2015-16](#), Fordham Institute (September 2016).
- ¹² June Ahn, [Enrollment and Achievement in Ohio’s Virtual Charter Schools](#), Fordham Institute (2016) and CREDO, [Online Charter School Study](#) (2015).
- ¹³ Sponsor ratings for the 2014-15 school year were also released at that time. They had been delayed as the state reworked the evaluation system and due to the later-than-usual release of 2014-15 test scores. However, those ratings were not high stakes, as no consequences or incentives were tied to them. For instance, sponsors rated Poor in 2014-15 did not have their sponsorship rights revoked.
- ¹⁴ Ohio charters are generally restricted by state law to locating in high-poverty, urban areas of the state.
- ¹⁵ For more information on the method for calculating sponsors’ academic rating, see Ohio Department of Education, [Technical Documentation for the 2014-15 and 2015-16 Community School Sponsor Evaluations](#).

- ¹⁶ The quality practices rubric can be found at Ohio Department of Education, [Sponsor Quality Practices Rubric](#).
- ¹⁷ State law excludes certain charter schools from a sponsor’s academic ratings (e.g., schools enrolling a majority of students with disabilities).
- ¹⁸ Vanessa McCray, “[Oregon Schools Appeals State Results](#),” *Toledo Blade* (December 27, 2016).
- ¹⁹ Conversion charters, in contrast to startup charters, are created by converting a portion or all of an existing district school into a charter. The grandfathered sponsors are the Educational Service Center of Lake Erie West and the Ohio Council of Community Schools (the nonprofit sponsorship designee of the University of Toledo). Both grandfathered sponsors have large portfolios: Lake Erie West authorized fifty-eight schools and OCCS forty-eight in 2015–16.
- ²⁰ Low-performing schools are identified through the state rating system. On their most recent report card, such schools receive a D or F on both the state’s performance index *and* value added measure. Low-performing dropout-recovery charter schools are those assigned a Does Not Meet rating, the lowest in Ohio’s alternative accountability system.
- ²¹ Low-performing schools could seek to switch to the Ohio Department of Education’s Office of School Sponsorship, but the agency has [posted a notice](#) that it will not accept direct sponsorship applications for the 2017–18 school year.
- ²² In the early years of Ohio charter schools, ODE served as a sponsor. However, in 2003, state lawmakers revoked ODE’s sponsorship rights: see Palmer, et al., [Turning the Corner](#) (p. 13).
- ²³ Sponsor-school contracts are available at Ohio Department of Education, “[Community School Documents](#).”
- ²⁴ For example, see Catherine Candisky and Jim Siegel, “[Charter School’s Lease Deals Scrutinized](#),” *Columbus Dispatch* (October 12, 2014).
- ²⁵ The document was accessed at Ohio Department of Education, “[Columbus Collegiate Academy West: Community School Contract](#).”
- ²⁶ Squire, Robson, and Smarick, [Road to Redemption](#) (pp. 25–27).
- ²⁷ Under continuing law, individuals may sit on the board up to five charter schools at the same time. The annual cap applies to membership on all boards.
- ²⁸ House Bill 2 also permits board compensation for approved trainings at a rate of \$60 per day for a training of three hours or less and \$125 per day for trainings greater than three hours long.
- ²⁹ A school’s fiscal officer and administrative staff (including those hired by an operator) are also required to participate in the public records training.

- ³⁰ The legislation also requires boards to hire independent counsel when negotiating contracts with a sponsor.
- ³¹ For more background, see Aaron Marshall, “[10 Northeast Ohio Charter School Boards Sue White Hat Management](#),” *Cleveland Plain Dealer* (May 18, 2010).
- ³² Greg Richmond, president of the National Association of Charter School Authorizers, once called this provision, “the most breathtaking [charter law] abuse in the nation.” See Squire, et al., *Road to Redemption* (p. 24).
- ³³ For more background on the operator financial footnote, see Auditor of State Dave Yost, [Testimony before the Ohio House Education Committee](#) (March 4, 2015).
- ³⁴ For more background on this provision, see Patrick O’Donnell, “[Whose Pension Changes Under Ohio’s New Charter School Reform Law? Details Are Emerging](#),” *Cleveland Plain Dealer* (October 13, 2015).
- ³⁵ See, for example, Joshua D. Angrist, et al., [Stand and Deliver: Effects of Boston’s Charter High Schools on College Preparation, Entry, and Choice](#) (June 2014).
- ³⁶ CREDO, [Urban Charter School Study: Report on 41 Regions](#) (2015).
- ³⁷ The document is posted at Ohio Department of Education, [Sponsor Evaluation Tools](#), document titled “Certification of Compliance with all Laws and Rules.”



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