

**TESTIMONY PREPARED FOR THE ALTERNATIVE EDUCATION SUBCOMMITTEE
HOUSE OF REPRESENTATIVES
OHIO GENERAL ASSEMBLY**

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And
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We appreciate this opportunity to talk with you. We thank you for your leadership in improving education for Ohio's children. We commend you and the House leadership for being at the forefront of the effort to reform and improve public education in America. Your commitment to providing greater educational choices for the neediest and most underserved citizens of Ohio deserves everyone's gratitude, above all that of the state's children, the core education constituency but also the one conspicuously least well supplied with champions, advocates and lobbyists.

We are the president and program director of the Thomas B. Fordham Institute. Based in Washington DC and in Dayton, the Institute is a nonprofit organization that supports research, publications, and action projects of national significance in elementary/secondary reform, as well as significant education reform projects in Dayton and vicinity. The Institute is affiliated with the Thomas B. Fordham Foundation, which was approved as a charter (community) school sponsor by the Ohio Department of Education in August of 2004. Our sponsorship operation is based in Dayton, where our roots run deep. The Foundation has been involved, since the outset of Ohio's community-school program, in helping Dayton-area schools start, improve and appraise their progress, as well as with the statewide community school movement. We serve on the boards of, and have helped to support, the Ohio Charter School Association and Ohio Foundation for School Choice. The Fordham Foundation has also worked in partnership with the Children's Scholarship Fund, and Dayton philanthropists to support

the PACE scholarship program. This private scholarship program has provided educational options to hundreds of Dayton's neediest families since 1997.

Our goal today is to discuss Ohio's community schools (a.k.a. charter schools), which face a developing paradox: the more they expand and the more students they serve, the more threatened they become. These threats are both external and internal.

The external threats to these public schools of choice take several forms, beginning with ongoing and costly lawsuits in both state and federal courts, a relentless public relations attack that targets members of the House and Senate (see Exhibit 1), and legislation aimed at curtailing charter schools and increasing their costs of operations. There is every reason to expect that the Ohio charter school program will ultimately prevail in the courtroom, but its opponents don't necessarily seek or expect judicial victory. Theirs is a war of attrition designed to wear down, fragment, disrupt, confuse and exhaust charter operators, teachers, parent and supporters alike.

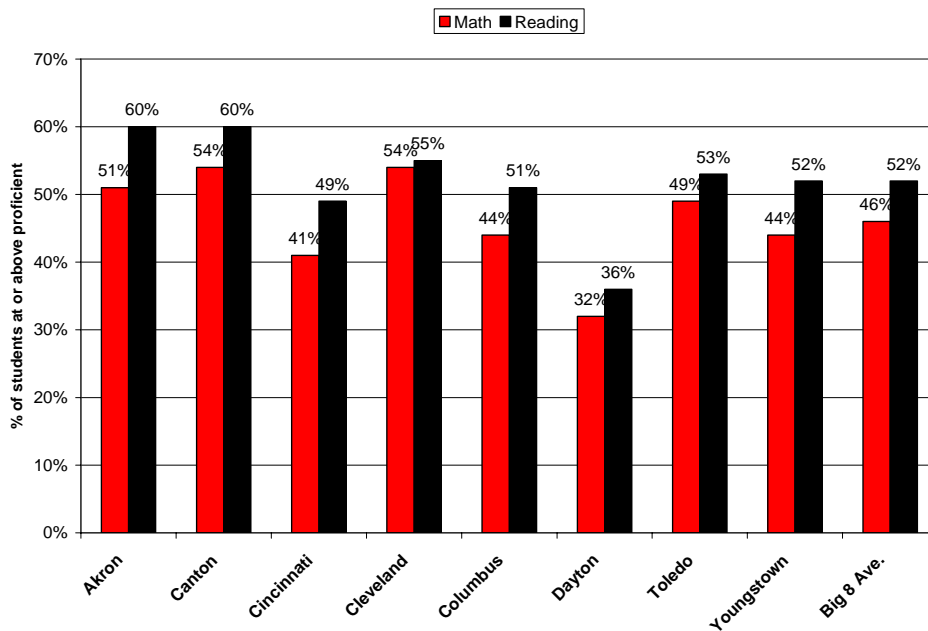
The internal threats to charter schools stem from their rapid and uneven growth. To put it bluntly, Ohio has too few high-performing charter schools and too many mediocre ones, schools that fail to help children academically, schools that do not make Adequate Yearly Progress or rise above the state's "academic emergency" designation, schools that fail to narrow the learning gaps while struggling as small businesses.

Let us recall why charter schools were opened in the first place. In Ohio, as elsewhere, they were intended to accomplish two important public purposes: to provide education relief to children otherwise stuck in persistently failing district schools, and to help them gain access to good alternatives that they could not otherwise afford; and to spur districts themselves to effective and sustained academic reform, via both example and competitive pressure.

Charter schools *are* succeeding on both fronts. Parents are choosing them. More than 50,000 children now attend the state's charter schools, which represents about 3% of Ohio's 1.83 million public school students. There is little doubt that thousands of Ohio families have felt welcome relief. Parents support school choice. A survey of Dayton-area parents in 2003 showed that 70% would allow students in failing schools to attend another school of their choice, and the vast majority support charter schools. For every parent in the Miami Valley who would stop them, four would keep or expand them.

Ohio's urban school systems have also felt the hot breath of competition. The Dayton Daily News observed in late March, "Even now under intense competitive pressure, Dayton is still stuck in the old days when it comes to hiring and promotion practices, the length of the school day, demanding accountability and so on." Charter schools put needed pressure on districts to reform, and this pressure is beginning to influence the thinking and actions of district leaders across the state. This is a significant success when one considers the academic challenges that plague urban education in Ohio as elsewhere.

Graph I: Student Achievement on the 2004 4th Grade Proficiency Tests (Big 8 Districts)
 (The state expects a 75% passing rate for all districts)

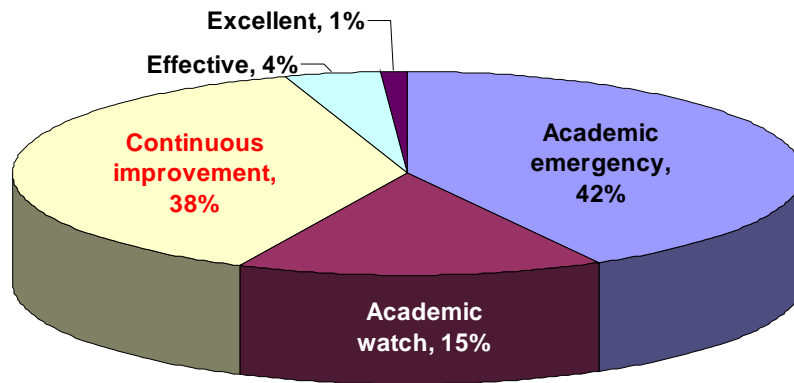


Source: <http://www.ode.state.oh.us/reportcard/>

So far, so good. Ohio's charter schools have proliferated; they are serving a significant number of kids. They are providing alternatives that parents welcome. They are putting healthy (if predictably unwelcome) pressure on traditional urban school systems.

Yet all is not well with Ohio's charter schools in 2005. Too many are in "Academic Emergency" or "Academic Watch". Graph II captures this fact:

Graph II: Ohio Charter Schools by Academic Rating (August 2004)

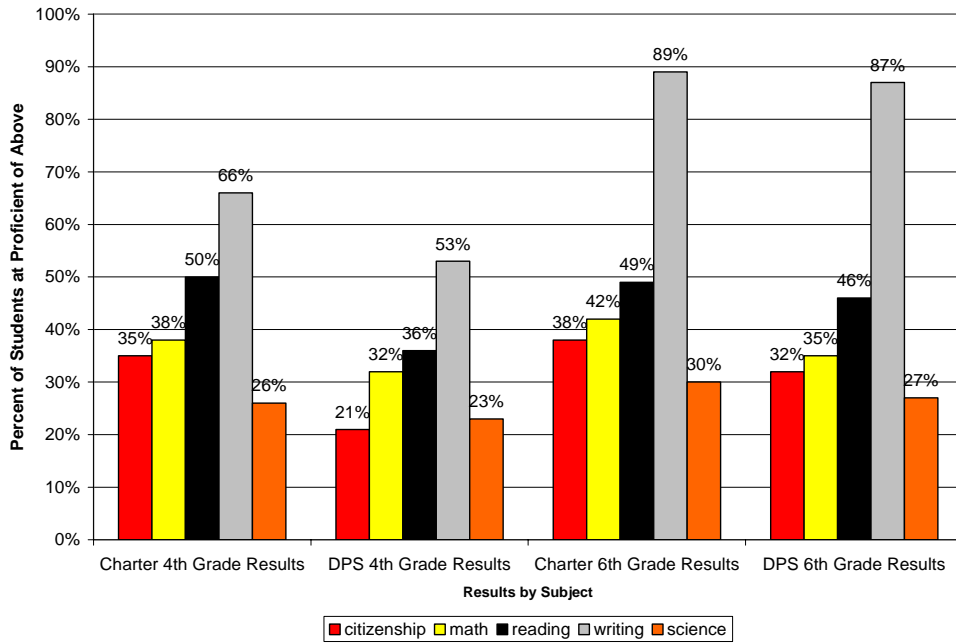


Source: http://webapp1.ode.state.oh.us/school_options/F2005?Default.asp

Meanwhile, some of Ohio's charter schools are superb, high-performance educational institutions that are working academic miracles. And a number of established charter schools are starting to show solid results. In Dayton, for example, schools open at least four years out-performed district students on all portions of the 2004 4th and 6th grade proficiency tests.

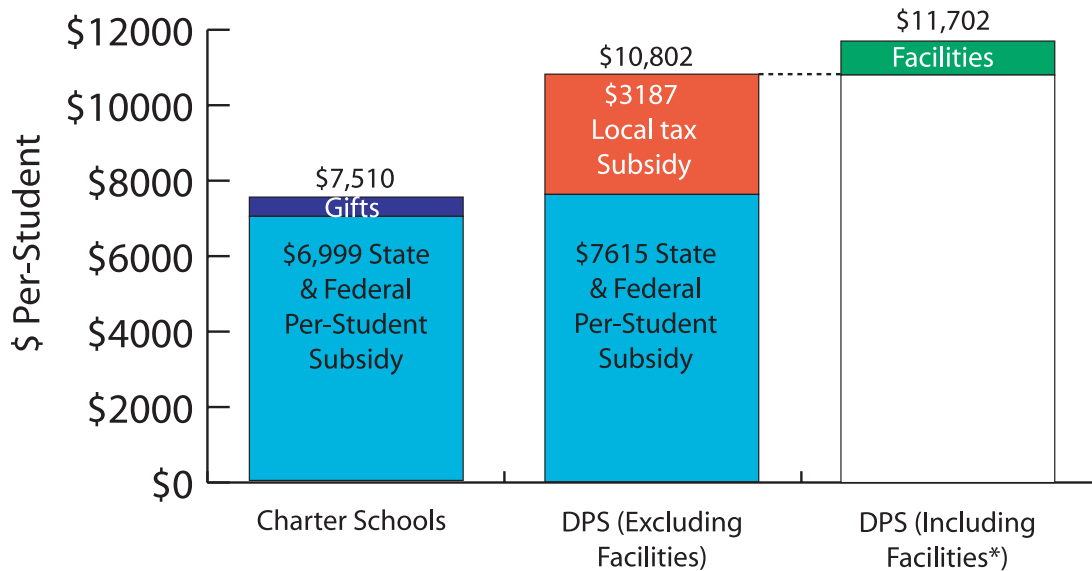
Graph III compares the results of Dayton's established charter schools (including a couple of laggards) to the results of the Dayton Public Schools:

Graph III: 2004 Proficiency Results for Established Dayton Charters and DPS Schools



These results are still more impressive when one considers that Dayton's charter schools receive far less funding per-pupil than district schools. Graph IV compares the revenue per student for Dayton district and charter schools. It shows that district schools receive 44% more operating funds than do charter schools. When facilities dollars are including, the funding differential reaches 56%.

Graph IV: Dayton Public Schools, District and Dayton Charter Schools Revenue Per-Student (Numbers are from FY02)



Source for Graph IV: Public Impact, "A Comparison of the Revenues of the School District and Community Schools," March 2004. (www.edexcellence.net/foundation/publication/publication.cfm?id=330)

* Imputed cost of facilities as estimated at \$900 per-student per year using average facilities cost of 12% incurred by Dayton charter schools, this excludes property taxes paid by charters.

Still, the evidence of progress by some charter schools is tempered by the failings of others, including long-established schools that have shown zero success at educating children. Even more troubling to us is the fact that operators of some poorly performing schools are now in a position to open additional schools. Thus, the issue now facing the Buckeye State is how to expand and develop quality schools while weaning itself of feeble charter schools. How to do this? First, we need to dismiss some myths surrounding charter schools.

These include the fallacious beliefs:

- That just about anyone can run a good school and should be allowed to try.
- That authorizers (a.k.a. sponsors) aren't very important.
- That academic results aren't too important, either, so long as people are eager to attend the school.
- That great schools can make it on a financial shoestring.
- That the charter movement can succeed in decentralized fashion, without coherent leadership, common agendas, and structured organizations.

Once these myths are debunked, we can begin to contemplate a policy regimen that would be more conducive to school quality—and less tolerant of mediocrity. Following are 10 common sense proposals for improving Ohio's charter school landscape in the coming months. The first five deal with issues related directly to charter schools, while the rest deal with ways to improve their sponsorship.

- 1) **Adequately fund charter schools.** It's impossible to make education bricks without straw—and charters are already under-funded. In the short-term, it would be an education blunder to eliminate parity aid for community schools. If

Senate Bill 108 were law, for example, charter schools would lose an average of 3.5% of their total state aid. Considering that they are also having to pay a new fee for sponsorship that may average 1.75%, Ohio charter schools would be hit with 5.25% less money to work with. This presents a devastating blow to schools already struggling to operate on state aid alone without local property tax revenue and without facilities assistance.

- 2) **Create financial incentives for success.** Currently, state aid is a fixed amount per student, regardless of grade level and school performance. To reward quality and stimulate the expansion and replication of high-performing schools, per pupil aid could rise for schools as their academic ratings improve. For example, consider a funding increase of, say, \$250/child for schools that have been rated “continuous improvement” for at least two years, \$500/child for a rating of “effective,” and \$750/child for those rated “excellent”.
- 3) **Create a cost of entry for new school operators.** Currently, wannabe school founders need make no financial commitment of their own (though many do). Indeed, most qualify for start-up assistance from state and federal programs. A simple threshold for new operators could be an up-front payment of, say, \$25-\$50,000—perhaps a “match” for state start-up funding—would demonstrate some elementary financial responsibility and require some “skin in the game.” Such a one-time matching payment could substitute for the proposed surety bond requirement for school operators.
- 4) **Raise the standard for opening more schools.** Require current charter operators to demonstrate that their existing schools are rated by the state as (at least) “continuous improvement” schools before they can be issued new preliminary agreements or charters. Seek authority from the U.S. Department of Education to impose similar conditions on schools receiving federal charter “start-up” assistance.
- 5) **Support a pre-school pilot funding project.** Ohio should consider selecting two or three communities as pilot sites for funding preschool education in charter schools. High quality preschool programs can help all disadvantaged children

start kindergarten ready to learn. Since charter schools serve mostly disadvantaged children it makes good sense, even in a tight budgetary climate, to support a pilot program to see whether charter preschool programs for 3 and 4 year olds can help close the education gap. The criteria for selecting the schools in each community could be economic need, school viability (school has been functioning for at least three years and has clean audits), and school performance (not lower than “academic watch”).

Now, five proposals for improving charter school sponsorship in the Buckeye State. Sponsors play crucial roles in monitoring, guiding, and supporting schools while holding them accountable for academic performance and financial stewardship. Charter supporters across America have come to understand that good schools require good sponsors. Conversely, weak sponsors are apt to spawn low-performing schools. Therefore:

- 6) **Make charter school sponsors accountable for their schools’ performance.** All sponsors, not just the new ones, should be subject to the state accountability system. Everyone benefits from having someone else watching over his shoulder and monitoring his performance. The Ohio Department of Education may need strengthening to do this job well, but the right way to structure the system is to empower it to “sponsor the sponsors”—all of them (See Exhibit II).
- 7) **Limit individual sponsors of charter schools to 50 schools apiece, and prohibit them from offering additional services for financial remuneration.** A sponsor could exceed the 50-school limit if ODE determines that it has sufficient capacity. All sponsors, however, should be barred from selling supplemental services to the schools they authorize. It’s an inherent conflict of interest and, in our view, reprehensible.
- 8) **Make charter school sponsorship transparent.** Require all sponsors to post on their websites current information about:

- The schools they sponsor, including enrollments and academic performance,
- The entities to which they have issued preliminary agreements,
- The make-up of those entities' decision-making bodies and resumes of key staff members, and
- Other (obvious) "transparency" information.

9) **Make charter school sponsorship more appealing to established organizations (especially 501(c)3 organizations and public universities).** Ease the liability risk to non-profit sponsors by affording the same liability protections to these sponsors, their officers and directors as is now afforded public school board (and ESC) members.

10) **Allow district sponsored charter schools to "count" for purposes of state facilities funding so long as these conditions are met:**

- Such schools must be "true" charters, i.e. non-profit organizations with their own boards that enter into contracts with districts, or their agents, and have the right to end those contracts and/or seek new sponsors.
- Districts counting charter-school students for purposes of construction/renovation funding must make suitable facilities available to those schools at no cost to them.
- Districts must agree that, if such a charter school opts to change sponsors, it can continue to lease its facility from the district for (at least) 10-15 years at prevailing market rates. (This provision keeps the charter school from being held hostage to the district or from being closed down should political winds shift on the district school board.)

Thank you Mr. Chairman and members of the Subcommittee for this opportunity to share our views with you today. We look forward to your questions and comments.

**EXHIBIT II: A STATEWIDE PERFORMANCE ACCOUNTABILITY SYSTEM:
OHIO CHARTER SCHOOL OVERSIGHT STRUCTURE**

ORGANIZATIONAL ENTITY	ACCOUNTABLE TO		CONSEQUENCES	
	PUBLIC	MARKET	REWARDS	SANCTIONS
SCHOOLS	Authorizer	Families	School receives funding and continues operation under the terms of the charter.	Authorizer intervenes in school operations with remedies for deficiencies. Ultimate sanction is for authorizer to revoke charter and close the school.
AUTHORIZERS (DISTRICTS, PUBLIC UNIVERSITIES, COUNTY SERVICE CENTERS, NON PROFIT ORGANIZATIONS, BUT NOT GRANDFATHERED SPONSORS)	State Board of Education	Schools	Authorizer can charter schools within the terms of its contract with the state.	Ohio Department of Education intervenes in authorizer operations with remedies for deficiencies. Ultimate sanction is for State to revoke authorizer's power to charter schools.
STATE BOARD OF EDUCATION	Governor, Speaker of the House , & President of the Senate	Electorate/ Taxpayers through Elected Officials	State Board—working through State Department of Education—continues to charter authorizers and issues annual report to Governor and others on effectiveness of state's authorizers and charter schools.	Governor and legislature intervene in Department monitoring of charters and authorizers. Ultimate sanction is for Department to lose its statutory powers to oversee state chartering program.
GOVERNOR, SPEAKER OF THE HOUSE, & PRESIDENT OF THE SENATE	Electorate/ Taxpayers	Electorate/ Taxpayers	Elected representatives recognized for overseeing successful chartering program. Taxpayers support chartering program by electing legislators who support chartering.	Elected representatives experience negative political repercussions for supporting chartering program.