

# THE PLAIN DEALER

## White Hat Management's Ohio charter schools in the midst of upheaval

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CLEVELAND, Ohio -- David Brennan's [White Hat Management](#) has been the most powerful and influential of Ohio's charter school operators since state money started flowing to the privately run public schools 15 years ago.

In the last school year alone, the 31 schools it operates in Ohio used more than \$67 million from taxpayers to educate more than 9,000 children.

But in May 2010, the Akron-based company founded by Brennan — an industrialist and major Republican contributor — was challenged in court by 10 of the school boards it had assembled in Cleveland and Akron. The case has dragged on since then and is now before the Ohio Supreme Court, despite rulings that White Hat must give the boards the financial information they seek.

In the meantime, White Hat's contracts with the boards have expired. The boards are moving their schools to new sites to be run by another management company, with former White Hat employees in key positions. And White Hat is setting up new schools in the old buildings, which it owns in most cases.

Over the next year, the landscape will start to sort itself out as parents and teachers choose sides. But for now, the upheaval is producing plenty of confusion as well as a boost in the number of charter schools in the Cleveland-Akron area.

A key question raised by the lawsuit — how much must a private company reveal about its spending of public money — remains unresolved.

### **The starting point**

The legal tussle began three years ago when the boards of seven Hope Academies for grades K-8 and three Life Skills Centers for high school dropouts sued White Hat.

Lillie Blair, a Macedonia resident who served on two of the boards, said the goal was to get details of exactly how White Hat was spending the money it got from Ohio taxpayers.

“The public says, ‘You’re responsible for the money we gave you – what did you do with it?’ And I as a board member have to say I don’t know,” Blair said.

Blair, active in the community but with little background in education, said she was appointed to the boards after hearing about vacancies from members she knew.

That's how it works in Ohio, where the boards in charge of close to 400 publicly funded charter schools are appointed rather than elected as in traditional school districts.

When a for-profit company like White Hat is the driving force, it gets a state-approved sponsor for the school and forms a nonprofit board to officially head it.

In the case of White Hat contracts, the board then hands over about 96 percent of the school's revenue to the company to handle the day-to-day business of running the schools. That covers everything from employing the principal and teachers to building expenses to buying the computers, textbooks and desks that the students use.

Anything left over would be profit, but since White Hat is a private company, it doesn't report profits.

Blair said she was mainly concerned that one of the schools she worked with wasn't performing well and White Hat didn't seem to be providing the resources it needed.

"It takes a couple of years to get an understanding of what's going on" as a board member, she said. "After you serve a few years, your eyes begin to open and it's like . . . wait a minute."

### **The court case**

James Colner, one of the lawyers for the boards, said Blair wasn't alone.

"White Hat was acting as if it owned the schools, whereas by law the boards were supposed to govern and merely hire a management company," he said. "In the beginning, White Hat was able to control the boards because it handpicked them. In the case of our clients, they woke up and smelled the coffee."

But three years after those clients filed suit in Franklin County Common Pleas Court, the case is still going.

"It's the never-ending case," said Karen Hockstad, another lawyer for the boards. "White Hat benefits from as much delay as possible because they don't want to produce the records, whereas we need the records to know exactly what they spent the money on."

Common Pleas Judge John Bender mostly sided with the boards on the disclosure question in 2011 rulings, and his decision was upheld by the 10th District Court of Appeals. But White Hat has asked the Ohio Supreme Court to overturn the order.

Charles "Rocky" Saxbe, the main attorney for White Hat, contends that the company already has provided as much information as state law and the Ohio Auditor's Office require.

Revealing more would give away the company's "formula" and diminish its competitiveness, a White Hat representative testified during court proceedings.

Saxbe also said the boards' position that they didn't know how money was spent is "totally bogus."

“They approved budgets that outlined how the money would be spent at the beginning of each year,” Saxbe said.

Another question raised in the case is who owns the property that White Hat purchased for the schools with state money. Saxbe said the court has essentially backed White Hat’s argument that it owns whatever it bought with the 96 percent contractual fee.

He added that the issue has largely been resolved by an interim agreement hammered out between the boards and White Hat to govern the waning days of the contracts that bound them.

“Frankly, as far as we’re concerned, we have successfully extricated ourselves from an unfortunate and unfriendly relationship and are looking ahead to providing educational opportunities that the kids in these communities deserve,” Saxbe said.

### **The breakup**

The contracts between White Hat and the three Life Skills Centers ran out last year and the remaining contracts expired June 30.

Two of the schools have closed since the lawsuit was filed. But the other boards are keeping their schools going, generally in new buildings, with new names – and using a new management company, Cambridge Education Group.

At the same time, White Hat is setting up new schools in the buildings that used to house the rebel schools. Many of the K-8 buildings are former Catholic schools that White Hat bought through related companies.

“It’s been a very bad divorce,” said April Hart, the lawyer who represents the boards outside the court case.

When it came time to divvy up the property at the schools, the two sides tagged their claimed items with stickers – blue for White Hat, red for the boards.

The ugliness escalated as the school year wore on, the boards’ lawyers said:

- White Hat suddenly ousted administrators at the schools if they were suspected of leaning toward the boards’ side.
- Teachers were forced to spend large chunks of time recruiting students for the new White Hat schools.
- The company’s enrollment events lured parents with giveaways and prizes, but gave them little real information on what was going on with the schools.

When board member Blair showed up at a White Hat enrollment event, she was threatened with arrest, Hart said.

Thomas Barrett, White Hat’s CEO, said in a written reply to Plain Dealer questions: “Typically, as any other company would, we don’t allow people to our events recruiting for the competition, which in our case, is another school.”

## **Picking sides**

A teacher at one of the K-8 academies, who insisted on anonymity because of employment concerns, is unimpressed with both White Hat and the school's board. But the teacher blames the board for a dip in resources for the school over the past year.

The teacher also is concerned that parents aren't being informed about things like the outsourcing of special education services at White Hat schools next year. White Hat's special education teachers were notified as summer approached that their contracts were void and they could apply for jobs with a company called LearnIt, the teacher said.

Belinda Stephens, hired as a consultant by five of the boards last year, blames White Hat for not supporting staff members as the contracts wound down. A former teacher at Cleveland's East High School and principal for a management company called Imagine Schools, she visited the schools weekly as the boards' academic auditor to make sure White Hat was living up to the agreement for the final year.

She said she found outdated books and tattered desks and the teachers weren't getting the training and materials they needed.

Teachers at White Hat schools generally earn in the low \$30,000s and principals in the mid-\$60,000s – far less than in most traditional districts, Stephens said. “But I have seen those teachers teaching their hearts out with almost no help from the management company. The students would walk through a wall for them – they are just awesome.”

It's unclear at this point how many teachers will go with the board schools or stick with White Hat, and it's the same for parents.

But Tremont mother Leslie Wojtonek has made her choice. Her two sons have attended White Hat's Lincoln Park Academy since kindergarten but will go to the board's Lincoln Preparatory School in the fall.

Wojtonek said she was satisfied with her sons' education until a few years ago when White Hat moved several grades to another of its school buildings without explanation. The grades then were recombined but moved to a building on West 41st Street, again without explanation, she said.

The staff stayed the same and people adjusted, but then “things just seemed to . . . change,” she said. “We couldn't get updated textbooks or updated anything, and the building was literally falling apart.”

The final straw came when the popular principal was unexpectedly put on leave and parents couldn't get any answers about why.

Wojtonek said she thinks the board members genuinely care about the welfare of the kids and the staff. She's also hopeful that the board's new management company, Cambridge Education Group, will do a good job.

“From my dealings with them so far, they seem to be digging in and getting their hands dirty,” she said.

### **Competing companies**

David Stiles of [Cambridge Education Group](#) learned about the boards’ lawsuit when a Google alert pointed him to a story online. He was already familiar with White Hat, having worked for two Life Skills Centers in Ohio as well as White Hat’s Ohio online school.

He started setting up Life Skills Centers in Florida in 2005 but soon left White Hat for another management company. Last year, he became a vice president for [Newpoint Education Partners](#), which operates charter schools in Florida.

When he read about the boards’ lawsuit, Stiles saw an opportunity and contacted them. Newpoint, which does business in Ohio as Cambridge Education Group, managed the three breakaway Life Skills Centers last year. All but one of the K-8 academy boards involved in the lawsuit will use Cambridge as their management company this fall.

Stiles isn’t the only former White Hat employee at Cambridge. Wendy Rydarowicz, who will head K-8 operations, worked for White Hat for about a dozen years, becoming a vice president in 2010.

Stiles said the company’s first task was finding buildings for the boards to lease. Under the contracts, Cambridge will provide services, such as hiring staff, for a 15 percent fee – in contrast to the 96 percent arrangement with White Hat. While most decisions for White Hat schools are made at the corporate level, Stiles said Cambridge will rely more heavily on the principals to pinpoint needs.

“The boards used to have to ask for permission for anything from programs to paint,” Stiles said. “In our model, which is how most contracts are structured today, there’s a lot of transparency about how much is being spent. For example, if the board decides it’s paying too much for landscaping, they can get bids and find somebody to do it better and cheaper.”

Stiles said Cambridge also will put more emphasis on having buildings that are well-maintained and inviting as well as functional “so it’s a place where kids want to be.”

White Hat has its own initiatives planned for the fall. Maggie Ford, the company’s chief academic officer, said she and her staff have remained focused during the recent tumult.

“We are improving,” she said. “We are increasing the academic rigor and the expectations for our students, teachers and leadership.”

Ford noted that three of the 14 K-8 academies were rated Effective – the equivalent of a B grade – by the state on the most recent report card and a Life Skills Center was the only dropout recovery school in Ohio to be rated Effective. Two of the academies were in the state’s top 100 schools for value-added, the measure of how much individual students gain in a year.

White Hat also has put elementary teachers on a 12-month contract, instead of 10 months, to help them prepare for the new school year, Ford said. Preschools will open at seven academies to make sure kindergartners are ready to learn. Before- and after-school programs will be

aligned with educational goals. And the schools are using a new educational model, the Marzano teaching system, to tailor instruction for each child.

### **Questions remain**

While the board's lawsuit continues to make its way through the court system, the implications for White Hat and Ohio's charter school system continue to be debated.

Dave Cash will have a front-row seat as things unfold. His company, [Charter School Specialists](#), handles the sponsorship duties for one of Ohio's major sponsors, St. Aloysius Orphanage. That means in the coming year he'll continue to oversee the boards' schools that are under St. Aloysius' sponsorship, while White Hat goes with other sponsors for the new schools it's setting up.

Sponsors' contracts are with the charter school boards, so there is no direct relationship with management companies like White Hat, Cash said.

Still, Cash said he did his due diligence in checking out Cambridge Education Group, looking at the performance of the company's Florida schools and talking with sponsors there.

Cash also just finished two terms as the president of the state's sponsor organization, the [Ohio Association of Charter School Authorizers](#). The position of that group, as well as the national association, is that the boards – not management companies – are in charge.

That is the way it's supposed to be, and the court rulings so far have supported that view, said Terry Ryan of the [Thomas B. Fordham Institute](#), whose sister foundation sponsors charter schools in Ohio.

But White Hat and others have tried in the past to push through legislation that would give the management companies more power.

"We need to rewrite the law to make clear the responsibilities of the management companies as well as the governing boards and sponsors," Ryan said. "We need to move on and not have all this confusion. Leaving the issue up to the courts is not the best way for public policy to evolve."

In the meantime, White Hat's position as top dog among management companies may be in question.

White Hat has pulled back from – or been shown the door – in other states. It still manages a Life Skills Center in Colorado and another in Arizona. But it no longer has an online operation in Pennsylvania or schools in Florida and Michigan.

"In order to grow we had to get smaller," CEO Barrett said. "These operational decisions were made carefully, as it was important for us to focus on the academic performance and operations of the schools we felt had the most potential to grow and remain successful."

In Ohio, White Hat instituted cost-cutting measures and layoffs in 2011 and David Brennan [warned in a memo](#) to employees then that he could no longer continue subsidizing the operation at the same pace, the Akron Beacon Journal reported.

When asked about the company's financial status now, Barrett said, "We feel very good about the progress we've made to deliver a superior education product. We've combined various strategic investments while also realizing certain cost savings."

But as competing management companies have moved into Ohio, enrollment at White Hat-operated schools slipped to under 10,000 last school year compared to a high of more than 14,000 in 2004-05.

And the boards that sued aren't the only ones ending contracts with White Hat. The boards of Life Skills Centers in [Middletown](#) and [Springfield](#) will use Cambridge Education Group this fall in new locations, while White Hat sets up new schools in the buildings that were previously used.

But Stephen Dyer has no doubt that Brennan still wields considerable influence through his lobbyists and campaign donations to the Republican party and key state legislators.

"I don't see any of his power waning," said Dyer, a fellow with Innovation Ohio and a former state representative from Akron who worked closely with former Gov. Ted Strickland on education issues.

For evidence, he pointed to the just-passed state budget which, as reported by the Akron Beacon Journal, gives Brennan's Life Skills Centers a \$1,400-per-pupil [boost in funding](#).

Brennan's take on all this is unknown. When The Plain Dealer asked if he would agree to an interview, Barrett responded that Brennan, 82, remains chairman of the company.

But "at this point in his life he has entrusted his team to carry out his vision. He recognizes that WHM is bigger than one person and thus prefers to serve in a private supporting capacity rather than in a visible public one."

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