

## Methodology

The Ohio Department of Education has occasionally checked ECOT's enrollment to ensure taxpayers are funding the correct number of students being educated at the school. They are not required to do it annually, though. According to a court [filing](#) in the ECOT case, ODE did these reviews "in 2001, 2002, 2003, 2005, 2006, 2011, and, most recently, in 2016." The department also did one in 2017 and, according to state audits, in 2007.

The FTE reviews are not easily accessible at the ODE website. However, their results have been published in media accounts and have been reported in annual audits of the school done by the Auditor of State. So it is possible to determine how much money was found to have been overpaid in each of these years (and in one year, it appears ECOT was *underpaid*).

### **YEARS IN WHICH ODE PERFORMED FTE REVIEW:**

Year	Amount Billed <sup>1</sup>	Overpayment Amount	Overpayment Percent	Source
2000-2001	\$10.4 million	\$7.8 million <sup>2,3</sup>	75%	Akron Beacon Journal <sup>4</sup>
2001-2002	\$15.5 million	\$154,702	1.0%	Akron Beacon Journal <sup>5</sup>

<sup>1</sup> The amount billed is the June Payment for each of the years listed, which is located here: <http://education.ohio.gov/Topics/Finance-and-Funding/School-Payment-Reports/State-Funding-For-Schools/Community-School-Funding>. The only year not listed from this section of the Ohio Department of Education website is the 2000-2001 school year because ODE does not have the charter school payment reports for that school year. The \$10.4 million used in this sheet comes from media reports about ECOT's payments that year. The ultimate amount ECOT was paid differs from this June payment in general. However, any overpayments that ECOT was to pay back would come out of the final June payment the school was set to receive. So in order to make the percentage calculation, IO used the June payment prior to any end-of-year adjustments.

<sup>2</sup> Willard, Dennis, and Doug Oplinger. "4-Year Audit Breakdown of ECOT Charter School." Akron Beacon Journal, 3 Apr. 2006, p. A3.

<sup>3</sup> After ECOT's initial enrollment issues, ODE cut a deal with ECOT to only count "opportunities" for [education](#) rather than participation in those opportunities for their enrollment verification purposes. This resulted in much smaller percentages of overpayments (and one underpayment) for ECOT for the years between ECOT's first and last two years. However, when ODE once again used the "participation" standard in the 2015-2016 and 2016-2017 years, the much higher percentages of overpayments the first year audit revealed returned. So that means that IO's estimate is likely quite low because for all but 3 of the years it used to calculate the overpayment percentage, ECOT's enrollment was counted differently than the way it was in the first and last two years of the school's existence. If ODE had done the same method of counting in each year following ECOT's first, the percentage of overpayment would likely have been far higher than the average IO used.

<sup>4</sup> According to the Akron Beacon Journal, the Ohio Department of Education took a sample of students from ECOT in the 2000-2001 school year and found that within that sample, ECOT had overbilled by \$2.1 million. ODE extrapolated that amount over the entire enrollment for the 2000-2001 school year and said it would have been \$7.6 million of the \$10.4 million the school received that year. However, ODE decided to settle on the \$2.1 million, which was later reduced during negotiations to \$1.65 million. IO is using the \$7.6 million because in subsequent years, ECOT assented to ODE extrapolating enrollment adjustments over the entire school's population.

<sup>5</sup> Ibid.

2002-2003	\$22.4 million	\$217,125	1.0%	Akron Beacon Journal <sup>6</sup>
2004-2005	\$38.6 million	\$227,660	0.6%	Akron Beacon Journal <sup>7</sup>
2005-2006	\$39.8 million	\$35,653	0.1%	<a href="https://ohioauditor.gov/auditsearch/Reports/2007/Electronic_Classroom_of_Tomorrow_06_Franklin.pdf">https://ohioauditor.gov/auditsearch/Reports/2007/Electronic_Classroom_of_Tomorrow_06_Franklin.pdf</a>
2006-2007	\$44.4 million	-\$168,221	-0.4%	<a href="https://ohioauditor.gov/Auditsearch/Reports/2008/Electronic_Classroom_of_Tomorrow_07-Franklin.pdf">https://ohioauditor.gov/Auditsearch/Reports/2008/Electronic_Classroom_of_Tomorrow_07-Franklin.pdf</a>
2010-2011	\$67.6 million	\$108,315	0.2%	Comparing this payment: <a href="http://odevax.ode.state.oh.us/htbin/F2011-COMMUNITY-SETTLEMENT.COM?act=1-Jun-2011&amp;district=irn&amp;irn=133413&amp;comrpt=y">http://odevax.ode.state.oh.us/htbin/F2011-COMMUNITY-SETTLEMENT.COM?act=1-Jun-2011&amp;district=irn&amp;irn=133413&amp;comrpt=y</a> with this payment: <a href="http://odevax.ode.state.oh.us/htbin/F2011-COMMUNITY-SETTLEMENT.COM?act=F2011+Final+Vers.+2&amp;district=irn&amp;irn=133413&amp;comrpt=y">http://odevax.ode.state.oh.us/htbin/F2011-COMMUNITY-SETTLEMENT.COM?act=F2011+Final+Vers.+2&amp;district=irn&amp;irn=133413&amp;comrpt=y</a>
2015-2016	\$108.6 million	\$60.4 million	55.6%	<a href="https://www.cleveland.com/metro/index.ssf/2017/06/state_school_board_votes_to_recover_60_million_from_ecot_online_school.html">https://www.cleveland.com/metro/index.ssf/2017/06/state_school_board_votes_to_recover_60_million_from_ecot_online_school.html</a>
2016-2017	\$104.3 million	\$19.3 million	18.5%	<a href="http://www.hannah.com/DesktopDefaultPublic.aspx?type=hns&amp;id=207607">http://www.hannah.com/DesktopDefaultPublic.aspx?type=hns&amp;id=207607</a>
	<b>Total payment 00-02, 04-05, 07, 15-16:</b> \$451.6 million	<b>Total overpayment 00-02, 04-05, 07, 15-16:</b> \$88.1 million	<b>% overpayment 00-02, 04-05, 07, 15-16:</b> 19.5 %	

But how about the years ODE didn't examine? How can we estimate how much money was overbilled in *those* years? IO compared the percentage of the state funding ECOT received that was overbilled in the years where ECOT's enrollment was verified (19.5%) and applied it to the state funding amounts issued to ECOT in those non-verified years.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

**YEARS WHEN ODE DID NOT REVIEW ECOT ENROLLMENT:**

<b>Year</b>	<b>Amount Billed</b>	<b>Overpayment Percent</b>	<b>Estimated Overpayment</b>
2003-2004	\$28.4 million	19.5%	\$5.5 million
2008-2009	\$57.5 million	19.5%	\$11.2 million
2009-2010	\$60.0 million	19.5%	\$11.7 million
2011-2012	\$78.8 million	19.5%	\$15.4 million
2012-2013	\$88.4 million	19.5%	\$17.3 million
2013-2014	\$99.3 million	19.5%	\$19.4 million
2014-2015	\$104.4 million	19.5%	\$20.4 million
	<b>Total state payment 2003, 2006, 2008-2014: \$516.8 million</b>	19.5%	<b>Estimated total overpayment 2003, 2006, 2008-2014: \$100.8 million</b>

In total, IO estimates that ECOT was overpaid by \$189 million over its 18-year lifespan. Once again, though, that estimate is likely far lower than the true amount because of the deal struck during its second audit that allowed the school to collect full funding for students as long as they *offered* educational opportunities to the students, regardless of whether those students ever actually *participated* in those opportunities, as the law required, according to every court that has examined this issue. For a full reporting of the machinations behind that methodology change, see this story from the Columbus [Dispatch](#).

This is not to say that Ohio taxpayers are owed \$189 million. This estimate is done just to serve as an illumination of the potential scale of this fraud perpetrated on Ohio taxpayers, which is about 4x the size of the [Coingate](#) scandal. At least.

In order to find the true amount taxpayers are owed, either department or state auditors would have to apply the same enrollment verification standard used the last two school years and the

first year ECOT was operating to the other 15 years of its existence. At this point, ODE is only seeking the \$80 million it's found the last two years. ECOT has also paid back portions of the other overpayment findings from prior years. It is IO's belief that if the department had employed the same methodology to calculate enrollment as it did the last two and first years of ECOT's existence, then far more than \$189 million would be found to have been improperly sent to the nation's largest dropout [factory](#).