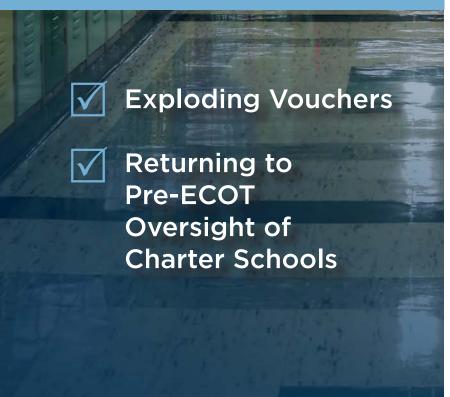
INNOVATIONOHIO

OHIO'S STATE BUDGET BILL

- Exploding Vouchers
- Returning to Pre-ECOT Oversight of Charter Schools



OHIO'S STATE BUDGET BILL



EXECUTIVE SUMMARY

The July passage of House Bill 166, the state's two-year operating budget for fiscal years 2020 and 2021, signaled a disturbing return to the lax oversight of Ohio's charter school system that led to a massive taxpayer scandal, as well as a continued expansion of the transfer of taxpayer funds from public to mostly-religious private schools.

When Governor Mike DeWine signed HB166 into law, he approved a budget that lawmakers had packed full of little-noticed gifts to those who seek to erode support for traditional public schools through a proliferation of charter and private school options funded at taxpayer expense.

The budget bill included four major gifts to the school choice crowd, namely:

- 1. Weakening Ohio's Automatic Charter School Closure Law
- 2. Weakening Standards for Dropout Recovery Schools
- 3. Weakening Oversight of Charter School Sponsors
- 4. Increasing the Transfer of Taxpayer

 Dollars To Private Schools Via Vouchers

The voucher expansion alone, if fully adopted, could cost Ohio districts at least another \$73 million over the biennium¹, on top of an already ballooning \$389 million per year private school voucher program.

Innovation Ohio's latest analysis looks at how the state budget expands the state's already exploding voucher program while reversing progress to bring accountability to charter schools.

The \$73.3 million amount is the amount the legislature and governor set aside just for one of the 5 voucher programs. It is likely that more money will be going to all of the voucher programs, so the \$73.3 million figure will be the minimum increase.

Ohio's State Budget Bill

Exploding Vouchers / Returning to Pre-ECOT Oversight of Charter Schools

House Bill 166, the state's two-year operating budget for fiscal years 2020 and 2021, heralded a return to the lax oversight of Ohio's charter school system that led to a massive taxpayer scandal, and a continued expansion of the transfer of taxpayer funds from public to mostly-religious private schools. Innovation Ohio is concerned that with this return to weaker oversight of and greater investment in education privatization options, scandals like the one that brought down the Electronic Classroom of Tomorrow (ECOT) will become the norm, and more and more taxpayer dollars will continue to flow to unaccountable, mostly-religious private schools.

Charter Schools: Less oversight of a scandal-ridden sector

In early 2018, ECOT, at the time, the state's largest online charter school, was forced to close after 18 years in operation after the state sought to recover \$124 million the school charged taxpayers for kids they couldn't prove were actually participating in online learning. Since the school's first year of operation in 2000-2001, Ohio officials knew that ECOT's ability to track students was suspect. But little to nothing was done, in large part because the school's founder and for-profit operator, William Lager, contributed huge amounts of cash to the campaign accounts of Ohio politicians, primarily Republicans.

Despite the passage of House Bill 2 in 2015 - a landmark charter school oversight bill that in many ways brought Ohio back closer into the national mainstream on charter school oversight - the law did not go far enough in the sector once dubbed the "Wild, Wild West of Charter Schools" by national pro-charter advocates v.

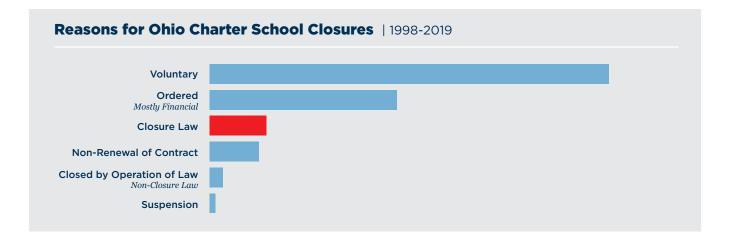
Rather than building on that effort at accountability, the FY2020-21 Budget Bill signed into law by Gov. DeWine actually weakened oversight of Ohio's charter school sector and helped some of the worst-performing schools in the nation remain open. Here's how:

- Changes current rules for automatically closing failing charter schools
- Makes it easier for failing Dropout Recovery Schools to remain open
- Allows charter school sponsors to have a do-over on their state evaluations

Weakening Ohio's Automatic Closure Law

When the state's automatic closure law was first adopted in 2005, it required three consecutive years of failure as a standard (for non-high schools). However, in 2009, then-Gov. Ted Strickland and the Ohio House successfully updated that to a more stringent 2 out of 3 years.

To be clear, even with the tougher standard, the state's automatic closure law has had a very small impact on closing bad charter schools, primarily because the state kept exempting charters from the requirements by changing the report card and testing regime multiple times over the last 10 years. According to state data^{vii}, of 305 charter schools that have closed in Ohio, only 24 did so because of the closure law. By comparison, 172 closed voluntarily. Another 80 were ordered closed for primarily financial reasons. Prior to the closure law, six charters closed for failing to meet basic legal requirements.



All told, Ohio's closure law (which charter school proponents have called the toughest in the nation is now being loosened because as many as 52 charters would other be subject to closure under the current standard. To which we would argue: "exactly". When more than half of all students going to charters attend schools that perform the same or worse than the district schools they would otherwise attend, one would think that losing 52 of the worst performers would be a good thing, and it would make more funding available for higher performers.

Interestingly, of the 52 charters² that were scheduled to be closed under the old standard, 34 are run by for-profit charter school operators, including almost 20 percent of the former White Hat schools now being operated by Ron Packard – the founder of K-12, Inc. – the nation's largest (and most notorious^{xi}) online charter school operator. Another big operator set to take a hit was J.C. Huizenga's 10 Ohio-based National Heritage Academies. Six of those were on the chopping block before the legislature offered a legislative reprieve. Huizenga is an acolyte of Betsy

DeVos - the controversial U.S. Secretary of Education - and his political connections have kept his schools afloat for years, despite complaints from the **schools they ran** about performance^{xii}.

National Heritage has been a darling of pro-charter school advocates over the years, with the Fordham Institute declaring them last year a "notable example of a high-performing for-profit charter chain." It would seem to burst the charter-school myth that if the poster child for "high performing, for-profit charter schools" had to close 60 percent of its Ohio schools for poor performance.

Instead, Ohio lawmakers have once again moved the goalposts on charter school accountability, helping for-profit charter school operators, and continuing to allow the worst performing charter schools to remain open and fail students for another year. We struggle to understand the public policy reasons for allowing this to continue, especially in light of the ECOT scandal, in which that school (thanks to its deep political ties) was allowed to fail students for two decades.

² See Appendix A for the list of the 52 charter schools set to close, along with their operator and corporate status.

Weakening Dropout Recovery School Standards

Ohio's dropout recovery schools - charter schools designed specifically to return dropouts to the state's school system - are, simply put, among the worst-performing schools in the entire nation. Some graduate less than two percent of their students in four years and less than 10 percent in eight years. The state's already lax standards only requires that a dropout recovery school graduate eight percent of their students in four years.

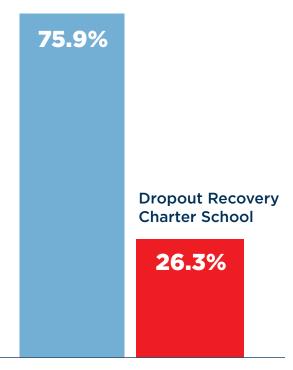
In order to remain open, students in these schools must pass a test to ensure academic standards are met. The FY2020-21 state budget allowed dropout schools to adopt another, easier test, and reduced the passing score, which the non-partisan Legislative Service Commission predicted "may increase the number of dropout prevention and recovery community schools rated as 'exceeds standards' or 'meets standards'" and "may reduce the number of dropout prevention and recovery community schools subject to closure."xiv

Last year, of the 6,887 students in dropout recovery schools eligible to have graduated within four years, only 1,808 actually did. Meanwhile, in Ohio's major urban districts (Akron, Canton, Cincinnati, Columbus, Cleveland, Dayton, Toledo and Youngstown), more than 75 percent of students graduate within 4 years.

Four-Year Graduation Rates

2018-2019

Major Urban School Districts



Weakening Charter School Sponsor Oversight

The result of having fewer poor performing charter schools is that charter school sponsors – which can collect as much as 3 percent of a charter school's state funding to oversee the school – will see their evaluations weakened. To make matters worse, the Budget Bill orders the Ohio Department of Education to re-evaluate sponsors' previous accountability ratings to take into account these new, weaker dropout recovery standards. As a result, these sponsors will get a do-over on their previously-failing oversight grades.

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will get a **do-over on their previously-failing**oversight grades.

The main accountability provision in House Bill 2, enacted in 2015,³ was to make life more difficult for sponsors – many of whom are not education entities – and create more incentives for them to provide oversight of an out-of-control charter school sector. Allowing sponsors to re-do their past evaluations greatly weakens the oversight the state can exert over the overseers, allowing for the possibility of more ECOT-like scandals to proliferate and rob Ohio taxpayers of resources that could be better spent in traditional public school buildings or higher-performing charter schools.

³ This was the 2015 law that strengthened Ohio's charter school oversight structure, but needed to be further strengthened, not weakened as this budget did.

Voucher Explosion

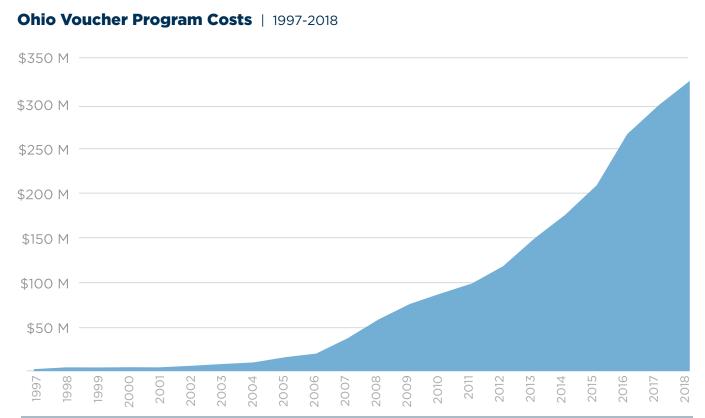
Ten years from now, it's not impossible to imagine that we'll look back at HB166 as the "Voucher Bill," thanks to the massive expansion of vouchers the budget bill will infuse into the system. This is thanks primarily to the bill's \$73.3 million annual expansion of the EdChoice Expansion program – an income-based voucher that any child who meets an income requirement can take to have taxpayers subsidize their private (and in most cases religious) education. In terms of scale, 10 years ago, all voucher deductions put together was only \$56 million^{xv}.

While it may seem like a sympathetic idea to provide low-income children an opportunity to access private school education, the issue is that under the expansion, families of four earning up to \$103,000 now qualify for a nearly \$3,000, taxpayer funded, public subsidy to offset their private-school tuition^{xvi}. It is estimated that nearly 80 percent of Ohio households would qualify for at least half of the full voucher amount^{xvii}.

This is just the latest in a series of expansions of vouchers in Ohio law. The state has been on the front lines of the private school voucher fight for two decades.

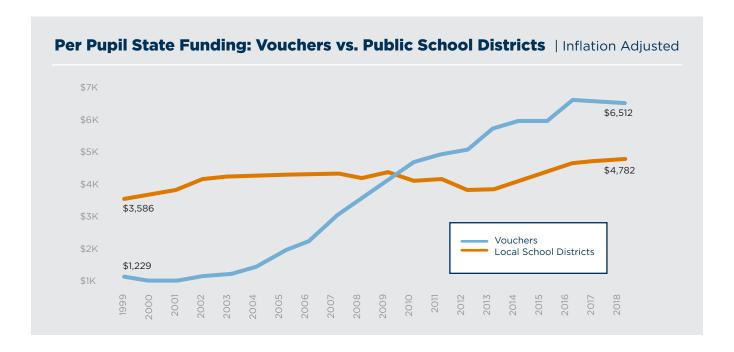
In 2001, the U.S. Supreme Court case ruled the Cleveland voucher program—at the time, the only private school voucher program offered in the state—constitutional, despite the fact that it sent public tax dollars to private, mostly religious schools. This was because, as stated in the opinion written by then-Chief Justice William Rehnquist, "[a]ny objective observer familiar with the full history and context of the Ohio program would reasonably view it as one aspect of a broader undertaking to assist poor children in failed schools." The ruling found the program was limited in scope and costs; therefore, it wasn't an overly burdensome infringement on the Establishment Clause of the U.S. Constitution.

Times have changed. What was once a single program in one city that cost taxpayers \$2.9 million has become a more than \$333.8 million annual venture, with 581 of the state's 610 school districts losing at least one student to vouchers over the last 5 years. The growth of these programs will likely accelerate under HB 166. Private school vouchers are now impacting 95 percent of Ohio school districts—certainly not all of which are failing.



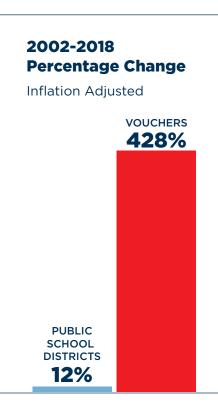
Originally created to help students in poor-performing Cleveland schools, the number of voucher programs has steadily grown to include 5 different voucher programs, making even more students around the state eligible. By the 2006-2007 school year, nearly a third of Ohio's 613 school districts saw some students opting to attend private schools using taxpayer-funded vouchers. Today, vouchers impact 95 percent of school districts.

In addition, the amount of state money given per voucher has exploded since the Supreme Court ruled that its small amount compared with public schools meant it didn't violate the Establishment Clause. Between 2002 and today, the average per pupil voucher has grown from just over \$1,300 to \$6,512 per student, adjusted for inflation. Meanwhile, the state's per pupil public school investment has seriously lagged that of its private school counterparts going up from \$4,100 to \$4,782 in inflation adjusted dollars during the same period.



The state investment in private, mostly religious schools now far surpasses, on average, the state's average per pupil investment in the 1.7 million Ohio students who attend Ohio's public school districts. This reversal calls into question whether today's voucher system in Ohio would survive the same legal analysis that justified the program in 2002.

It is also troubling that the state has chosen to increase its investment of taxpayer money in private, mostly religious schools by 428% since 2002, while at the same time only delivering a 12% increase in state per pupil investment in public school districts. It probably isn't a coincidence that 2002 also saw the Ohio Supreme Court end its examination of Ohio's school funding system. Those two decisions – one from the U.S. Supreme Court allowing for vouchers to be done and one from the Ohio Supreme Court giving up its oversight of Ohio's school funding system, which it had ruled four different times to be unconstitutional – led to the state deciding to increase funding to vouchers by 400 percent and essentially freeze school district funding.



As can be seen in the following table showing funding for the state's five voucher programs for the four years beginning in 2013-2014 and ending with 2017-2018 school year, millions of dollars have been sent to private, mostly religious schools from every type of school district in the state, not only from the major urban districts. In fact, just under half of the money sent out to voucher programs did **not** come from major urban districts.

District Type	EdChoice Expansion	Autism Voucher	Special Ed Voucher	EdChoice Voucher	Original Cleveland Voucher
Poor Rural	\$ 4,673,702	\$12,220,320	\$ 6,059,308	\$ 78,060	\$ -
Rural	\$ 2,515,709	\$ 8,305,086	\$ 4,532,842	\$ 33,143	\$ -
Small Town	\$ 7,535,697	\$ 24,120,479	\$ 15,117,235	\$ 190,250	\$ -
Poor Small Town	\$ 17,069,071	\$ 28,652,804	\$ 19,851,275	\$ 5,844,387	\$ 3,740
Suburban	\$ 20,200,635	\$ 78,416,765	\$ 52,421,563	\$ 8,410,821	\$ 121,540
Wealthy Suburban	\$ 4,389,589	\$ 66,196,920	\$ 33,634,223	\$ 201,652	\$ 54,103
Urban	\$ 27,263,416	\$ 61,046,676	\$ 24,136,553	\$ 93,178,052	\$ 847,472
Major Urban	\$ 25,402,368	\$ 65,205,127	\$ 40,433,321	\$ 346,571,689	\$ 166,142,550
Grand Total	\$ 109,050,188	\$ 344,164,177	\$ 196,186,321	\$ 454,508,052	\$ 167,169,405

Based on earlier expansions, the \$73.3 million additional funding set aside in House Bill 166 for income-based vouchers will result in funding losses across all sectors of Ohio's school system. This becomes a problem because as students depart public schools using vouchers, the school districts they leave behind see their state resources decline accordingly, forcing them to dig into local resources (or cut programming) to make up the difference. This impacts some of the highest-performing school districts in the state – a far cry from the 2002 claim that vouchers are meant to help poor kids escape failed schools.

District Name	County	Local Subsidy (2014-2018)
Columbus City School District	Franklin	\$ 28,015,593
Cincinnati City School District	Hamilton	\$ 20,314,389
Cleveland Hts-Univ Hts City School District	Cuyahoga	\$ 8,859,655
Olentangy Local School District	Delaware	\$ 7,955,472
Worthington City School District	Franklin	\$ 7,413,205
Hilliard City School District	Franklin	\$ 7,110,616
South-Western City School District	Franklin	\$ 6,751,052
Westerville City School District	Franklin	\$ 6,135,993
Dublin City School District	Franklin	\$ 6,056,282
Northwest Local School District	Hamilton	\$ 5,928,916
Parma City School District	Cuyahoga	\$ 5,240,310
Lakota Local School District	Butler	\$ 4,983,578
Boardman Local School District	Mahoning	\$ 4,817,835
Oak Hills Local School District	Hamilton	\$ 4,493,305
Fairfield City School District	Butler	\$ 3,508,264
Gahanna-Jefferson City School District	Franklin	\$ 3,174,098
Mayfield City School District	Cuyahoga	\$ 2,915,948
South Euclid-Lyndhurst City School District	Cuyahoga	\$ 2,863,618
Sycamore Community City School District	Hamilton	\$ 2,700,666
Newark City School District	Licking	\$ 2,632,417

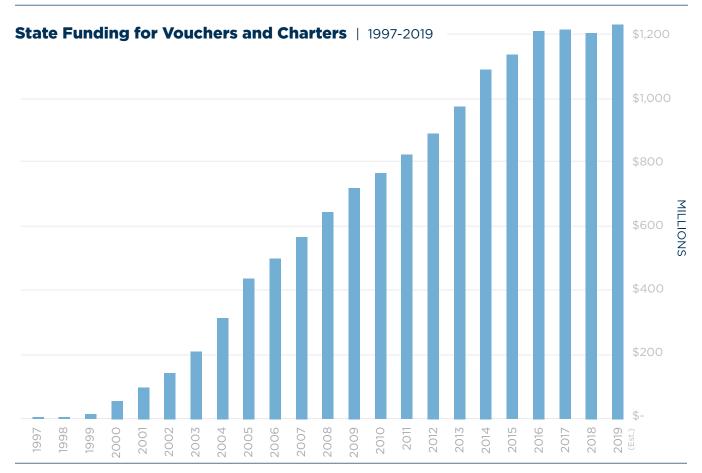
It would be one thing if vouchers provided clearly better opportunities for students. However, the Thomas B. Fordham Institute – a pro-school choice advocacy research outfit – recently examined Ohio's largest voucher program and found that voucher students didn't do better or the same as their public school counterparts. **They did worse.***

As the report put it, "The students who used vouchers to attend private schools fared worse on state exams compared to their closely matched peers remaining in public schools." Even in Cleveland — an often ridiculed district by school choice advocates — vouchers were found to not substantially improve the performance of the students who utilized them.**

This supports other research indicating that controlling for demographics, public schools overall do better than their private school competitors.xxi

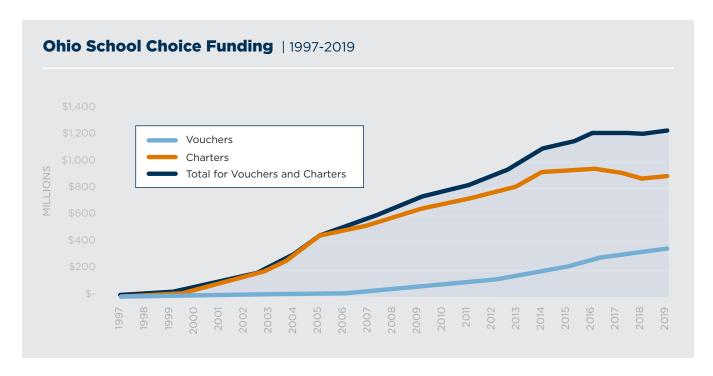
Overall, this budget would seem to expand the state's investment in taxpayer investment in privately run educational options. And that's on top of an estimate record \$1.2 billion spent on them last school year⁴, according to Ohio Department of Education data.

"The students who used vouchers to attend private schools fared worse on state exams compared to their closely matched peers remaining in public schools."



⁴ This is an estimate because the Ohio Department of Education has not finalized its voucher data as of the publishing of this report for the 2018-2019 school year. However, the payments made to vouchers do appear on state payment reports and budget records. So Innovation Ohio added those up to arrive at the estimate. There may be an adjustment up or down once the department finalizes the data, which could be as late as early next year.

What is interesting is that while charter funding dropped slightly after ECOT and a few other charter schools closed, voucher funding has increased at a greater rate. Given the state's wholesale infusion of voucher money this budget cycle, it's not impossible to envision a time when voucher funding may approach or even overtake charter school funding totals.



Conclusion

In short, the state budget made it easier for schools like ECOT to continue to scam the Ohio taxpayer, all while public investment grows in private, mostly religious schools with almost zero accountability for those tax dollars and who have been demonstrated to harm student performance.

Appendix A - Ohio Charters Scheduled to Close for Poor Performance

School Name	Sponsor Name	Operator Name	Corp. Status
Academy of Educational Excellence	North Central Ohio ESC	No Operator	Non Profit
Achieve Career Preparatory Academy	Buckeye Community Hope Foundation	The Leona Group, LLC	For Profit
Akron Preparatory School	Ohio Council of Community Schools	Accel Schools Akron FB LLC	For Profit
Alliance Academy of Cincinnati	ESC of Lake Erie West	National Heritage Academies, Inc.	For Profit
Alternative Education Academy	Ohio Council of Community Schools	Accel Schools Ohio LLC	For Profit
Bennett Venture Academy	Buckeye Community Hope Foundation	National Heritage Academies, Inc.	For Profit
Bridges Community Academy	Office of School Sponsorship	No Operator	No Operator
Central High School	Educational Resource Consultants of Ohio	Cambridge Education, LLC	For Profit
Cincinnati Technology Academy	Educational Resource Consultants of Ohio	No Operator	No Operator
Clay Avenue Community School	Ohio Council of Community Schools	Imagine Schools, Inc.	For Profit
Cleveland Academy for Scholarship Technology and Leadership	Educational Resource Consultants of Ohio	The Educational Empowerment Group, LLC	For Profit
Cleveland Preparatory Academy	Ohio Council of Community Schools	Accel Schools Ohio LLC	For Profit
Columbus Bilingual Academy-North	Richland Academy	Accel Schools Columbus FB LLC	For Profit
Constellation Schools: Lorain Community Middle	Buckeye Community Hope Foundation	Constellation Schools, LLC	For Profit
Early College Academy	ESC of Central Ohio	No Operator	No Operator
East Preparatory Academy	St Aloysius Orphanage	Oakmont Education	For Profit
Emerson Academy	ESC of Lake Erie West	National Heritage Academies, Inc.	For Profit
Entrepreneurship Preparatory School - Woodland Hills Campus	Cleveland Municipal	Breakthrough Charter Schools	Non Profit
Franklin Local Community School	Franklin Local	Franklin Local	Non Profit
Franklinton Preparatory Academy	St Aloysius Orphanage	No Operator	No Operator
George V. Voinovich Reclamation Academy	Educational Resource Consultants of Ohio	Oakmont Education	For Profit
Harrisburg Pike Community School	St Aloysius Orphanage	Imagine Schools, Inc.	For Profit
Horizon Science Academy Dayton High School	Buckeye Community Hope Foundation	Concept Schools	For Profit
Horizon Science Academy Toledo	ESC of Lake Erie West	Concept Schools	For Profit
Imagine Leadership Academy	North Central Ohio ESC	Imagine Schools, Inc.	For Profit

Appendix A (Cont'd.)

School Name	Sponsor Name	Operator Name	Corp. Status
Lake Erie College Preparatory School	Ohio Council of Community Schools	Accel Schools Cleveland FB LLC	For Profit
Lakeshore Intergenerational School	Office of School Sponsorship	Breakthrough Charter Schools	Non Profit
Life Skills Center of Elyria	St Aloysius Orphanage	LS Elyria, LLC	For Profit
Life Skills Center of North Akron	Ohio Council of Community Schools	WHLS of Ohio, LLC	For Profit
Life Skills Center Of Toledo	Ohio Council of Community Schools	LS Toledo, LLC	For Profit
Life Skills Ctr Of Cincinnati	St. Aloysius Orphanage	LS Cincinnati, LLC	For Profit
Mahoning County High School	Office of School Sponsorship	Mahoning County ESC	Non Profit
The Maritime Academy of Toledo	ESC of Central Ohio	No Operator	No Operator
Mound Street Military Careers Academy	St Aloysius Orphanage	No Operator	No Operator
New Day Academy Boarding & Day School	Educational Resource Consultants of Ohio	World Class Community Schools	For Profit
North Central Academy	North Central Ohio ESC	North Central Ohio ESC	Non Profit
Northeast Ohio College Preparatory School	Ohio Council of Community Schools	Accel Schools Cleveland FB LLC	For Profit
Ohio Construction Academy	Office of School Sponsorship	EEG OCA, LLC	For Profit
Orion Academy	ESC of Lake Erie West	National Heritage Academies, Inc.	For Profit
Pathway School of Discovery	ESC of Lake Erie West	National Heritage Academies, Inc.	For Profit
Performance Academy Eastland	Ohio Council of Community Schools	Performance Academies, LLC	For Profit
Phoenix Community Learning Center	Thomas B. Fordham Foundation	No Operator	No Operator
Pinnacle Academy	ESC of Lake Erie West	National Heritage Academies, Inc.	For Profit
Renaissance Academy	Educational Resource Consultants of Ohio	No Operator	No Operator
River Gate High School	St Aloysius Orphanage	No Operator	No Operator
Riverside Academy	Ohio Council of Community Schools	Accel Schools Ohio LLC	For Profit
Schnee Learning Center	Office of School Sponsorship	ESC of Cuyahoga County	Non Profit
Southside Academy	Ohio Council of Community Schools	The Educational Empowerment Group, LLC	For Profit
Stark College and Career High School	Ohio Council of Community Schools	EEG LS Canton LLC	For Profit
STEAM Academy of Warrensville Heights	Ohio Council of Community Schools	Accel Schools Ohio LLC	For Profit
TRECA Digital Academy	Tri-Rivers	No Operator	No Operator
Utica Shale Academy of Ohio	Jefferson County ESC	Southern Local	Non Profit

Endnotes

- i https://www.dispatch.com/news/20180121/ecot-endured-despite-years-of-warning-signs
- ii https://www.dispatch.com/news/20180511/with-notable-exceptions-politicians-scurry-to-give-up-ecot-contributions
- iii http://innovationohio.org/2015/10/14/hb-2-passes-now-to-the-details/
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- viii https://www.ohio.com/article/20130906/NEWS/309068868
- ix https://fordhaminstitute.org/ohio/commentary/three-and-out-ohio-should-rework-its-automatic-charter-closure-policy
- x https://knowyourcharter.com/wp-content/uploads/2017/10/CharterReport_Oct2017.pdf
- xi https://www.nytimes.com/2011/12/13/education/online-schools-score-better-on-wall-street-than-in-classrooms.html
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- xvi https://education.ohio.gov/getattachment/Topics/Other-Resources/Scholarships/EdChoice-Scholarship-Program/ExpansionIncomeChart.pdf.

 aspx?lang=en-US
- xvii https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF
- xviii Zelman v. Simmons-Harris, 536 U.S. 639 (2002)
- $xix \quad \underline{https://edexcellence.net/publications/evaluation-of-ohio\%E2\%80\%99s-edchoice-scholarship-program-selection-competition-and-performance} \\$
- $xx \\ \ \, \underline{http://education.ohio.gov/Topics/Other-Resources/Scholarships/EdChoice-Scholarship-Program/EdChoice-Cleveland-Assessment-Data} \\$
- xxi http://www.theatlantic.com/education/archive/2013/10/are-private-schools-worth-it/280693/

