

THE CURRENT STATE OF OHIO'S CHARTER SCHOOL PROGRAM

OEA

OHIO EDUCATION ASSOCIATION

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Introduction

It has been nearly three decades since the idea of charter schools was first developed. In the years since, the notion of this innovative alternative to traditional public education has been embraced by educators, politicians, other policy makers, private industry, and unions. While the concept in its most basic form has garnered broad support, its implementation has been, and remains, embroiled in controversy.

Proponents have maintained that the promise of the charter school experiment has yielded positive results, declaring that innovation, competition and choice have resulted in improved student academic achievement.

Critics, on the other hand, insist that charter schools have not led to improved student achievement and that the unhampered growth of charter schools has placed a tremendous burden on traditional public schools, draining valuable and scarce financial resources.

OEA's position on charter schools has not changed since the first Ohio charter school law was debated in the General Assembly. OEA's position essentially mirrors that of NEA and is best summarized using the words of former NEA president, Bob Chase:

Ironically, the NEA supports charter schools for many of the same reasons as our opponents on the political right. We both see charters as a vehicle for de-bureaucratizing public schools; for increasing parental and community involvement; and for expanding the menu of education choice and options.

But that is where our agreement ends. Our opponents – those who seek to dismantle public education – see charter schools as a halfway house en route to total privatization. By contrast, we envision charter schools as a catalyst for innovation in and renewal of public schools. To this end, we insist on rigorous charter laws to ensure that these schools are truly public – democratically governed, open to all students, and fully accountable to taxpayers and communities (Chase, Bob, *Which Charters Are Smarter? A Vision for Truly Public Charter Schools*, Education Week, December 4, 1996).

Unfortunately, the unbridled growth of charter schools, coupled with the lack of accountability to which these schools are held makes it difficult to escape the conclusion that the charter school program in Ohio is nothing more than a thinly veiled attempt to “dismantle public education.”

This paper is divided into five parts with each covering a different element of the impact of charter schools in Ohio. *Part 1* reports the growth of charter schools and projects future levels of charter school enrollment. *Part 2* looks at student academic achievement, comparing Local Report Card results of charter schools to those of traditional public school districts. The financial impact that charter schools have had on traditional school districts is addressed in *Part 3*. *Part 4* assesses the impact of charter schools on labor unions. Finally, the notion of school competition and choice is covered in *Part 5*. Notable findings and conclusions are listed in the *Executive Summary* that follows this introduction. Unless otherwise noted, the data analyzed in this report were generated by the Ohio Department of Education.

Executive Summary

Listed are the notable findings and conclusions of OEA's research on charter schools in Ohio:

- ❖ Between the 1998-1999 school year and the 2003-2004 school year, the number of charter schools in Ohio has grown from 15 to 175.
- ❖ Charter school enrollment has increased from 2,245 students for the 1998-1999 school year, to over 45,000 students for the 2003-2004 school year.
- ❖ Charter school students represent about 2.5 percent of total public school enrollment in Ohio.
- ❖ The "Big 8" districts provide charter schools over two-thirds of their total student population.
- ❖ Charter school enrollment for the 2003-2004 school year, from the "Big 8" districts grew by 30 percent over 2002-2003 levels. Growth from all other school districts was 42 percent.
- ❖ 566 of 612 Ohio school districts have lost students to charter schools.
- ❖ It is estimated by the 2005-2006 school year, charter school enrollment could reach 90,000 students, or about five percent of the total public school student population in Ohio.
- ❖ Charter schools met only 18 percent of total local report card performance standards for the 2002-2003 school year. Traditional school districts met 67 percent of total possible standards. The "Big 8" urban districts met 23 percent of total possible standards.
- ❖ The 13 charter schools that have been in operation since 1998 met only 12 percent of total possible standards for the 2002-2003 school year.
- ❖ 74 percent of charter schools are classified as academic watch or academic emergency schools. Eleven percent of traditional public school districts are similarly classified.
- ❖ Approximately 48 percent of traditional school districts met Average Yearly Progress (AYP) for the 2002-2003 school year. Virtually the same portion of charter schools met AYP. However, for charter schools that were given an academic performance label (e.g., academic emergency, academic watch, etc.) only 22 percent met AYP.
- ❖ For the 2003-2004 school year, charter schools are set to receive \$290 million in state foundation moneys. This represents a 42 percent increase over the previous year.
- ❖ Statewide, charter schools will receive \$6,131 per student in state aid for the 2003-2004 school year, compared to \$3,092 in per-pupil aid for traditional public schools.
- ❖ Only three Ohio charter schools (Aurora Academy, Horizon Science Center of Columbus and the now defunct Riser Military Academy) have ever been successfully organized by unions.
- ❖ It is estimated that a total of 4,782 traditional school district staff positions have been lost to charter schools. The number of school district staff lost to charter schools could grow to more than 9,300 by the 2005-2006 school year.
- ❖ For the 2002-2003 school year, charter schools paid their teachers an average salary of \$30,612. The average teacher salary for traditional school districts was \$43,477.
- ❖ 29 Ohio charter schools are operated by White Hat Management. These schools enrolled 27 percent of the state's total charter school student population, received \$76.5 million in state aid, and met only 9 percent of total possible report card standards.

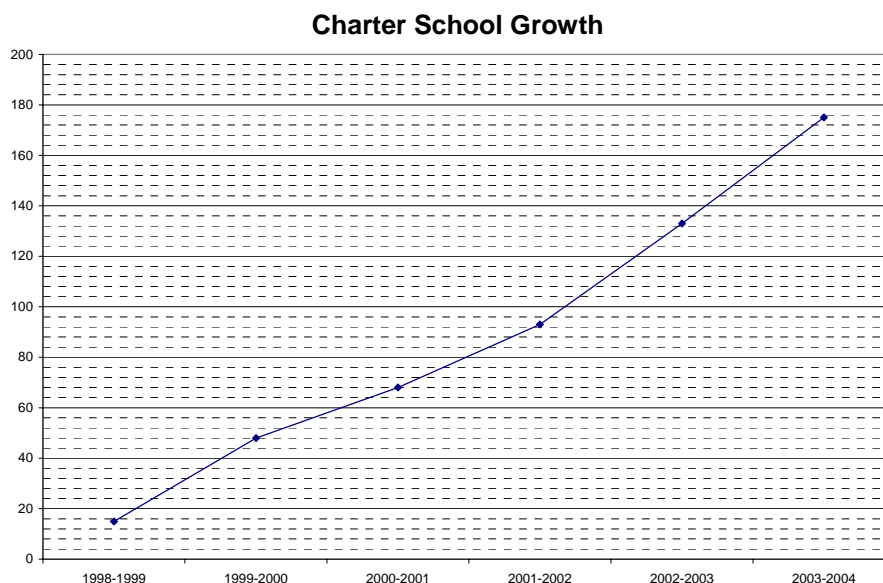
Part 1 - Charter School Growth

The first charter school legislation in Ohio was passed in 1997. HB 215 created of a five-year, limited sponsorship charter school pilot program. On several occasions since then, the legislature has expanded the conditions for which charter schools may be opened. In 1998, charter school legislation was extended to the “Big 8”, Ohio’s largest urban districts (HB 650). In 1999, that expansion was followed by extending charter schools to all 21 urban districts and districts that were in academic emergency (HB 282). In 2003, Ohio’s General Assembly passed HB 364, allowing for start-up charter schools in academic watch school districts. HB 364 established a new statewide limit of 225 non-school district sponsored start-up charter schools through June 30, 2005.

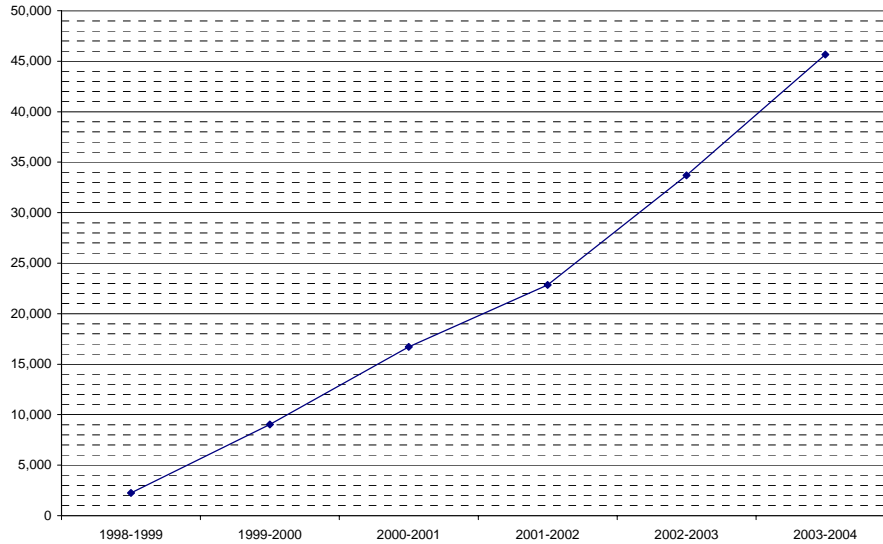
The cumulative effect of Ohio’s charter school laws has been the exponential growth of charter schools with all but a few traditional school districts having lost students to charter schools. For the 1998-1999 school year, 15 charter schools enrolling 2,245 students opened in Ohio. That number has steadily grown in each year since, reaching 175 charter schools midway through the 2003-2004 school year. Currently, charter schools serve nearly 46,000 students -- about 2.5 percent of total public school enrollment. The following table and charts demonstrate this growth in the six years since charter schools took root in Ohio.

Charter School Growth		
School Year	Charter Schools	Total Enrollment
1998-1999	15	2,245
1999-2000	48	9,032
2000-2001	68	16,717
2001-2002	93	22,850
2002-2003	133	33,704
2003-2004	175	45,935

2003-2004 figures reflect ODE data as of March 2004



Charter School Enrollment Growth



It should be noted that the increase in the number of charter schools is not limited to Ohio. The Center for Education Reform (CER) estimates that nationwide there are nearly 3,000 charter schools operating in 40 states and the District of Columbia with a total enrollment of almost 700,000 students (www.edreform.com).

Most of Ohio's charter schools serve students who would otherwise be enrolled in the "Big 8" urban school districts. The Akron, Canton, Cincinnati, Cleveland, Columbus, Dayton, Toledo and Youngstown school districts, with more than 30,000 students enrolled in charter schools, account for about two-thirds of total charter school enrollment. One of every five students of the Youngstown City School District now attends a charter school. Over 30 percent of students of the Dayton Public School District have elected to attend 32 charter schools.

However, much of the recent growth in charter school enrollment has occurred in districts other than the "Big 8." This year the "Big 8" saw the loss of students to charter schools increase by 30 percent from last year. That level is certainly significant; however, for all other school districts, the number of students lost to charter schools swelled by 42 percent.

The growth of charter schools, especially internet schools, has touched more than 90 percent of all traditional school districts. Currently, 566 of 612 Ohio school districts have lost students to charter schools. This number includes 236 districts deemed either academically effective or excellent according to the most recent Local Report Card.

There is little doubt the sustained growth in charter schools will continue. Since November 2003, when the data for this report were originally compiled, ODE has begun reporting on about a dozen new charter schools, primarily digital online academies. Between November 2003 and March 2004, the reported statewide enrollment for such charter schools has increased by several hundred students.

A common theory in economics, referred to as Say's Law, states: supply creates its own demand. It would appear that this principle is also applicable to charter schools, in that they have grown to the full extent allowed by law. For the 2003-2004 school year, there are 133 non-school district sponsored start-up charter schools operating in Ohio. If the cap on start-up charter schools is 225, then, ultimately there will be 225 start-up charter schools. It is more a question of when that number will be reached, rather than it be reached.

As new charters are granted and the number of charter schools increases, the growth in charter school students will continue to spiral upward. Additionally, these new charter schools are likely to experience substantial increases in enrollment from one year to the next. With these facts in mind, the growth in the number of charter school students is projected.

Each year a few charter schools are closed - for financial, not performance, reasons. However, many more are opened, resulting in a large net growth in the total number of charter schools and students they serve. Of the 175 charter schools operating in Ohio, 42 are in their first year of operation and 44 are in their second.

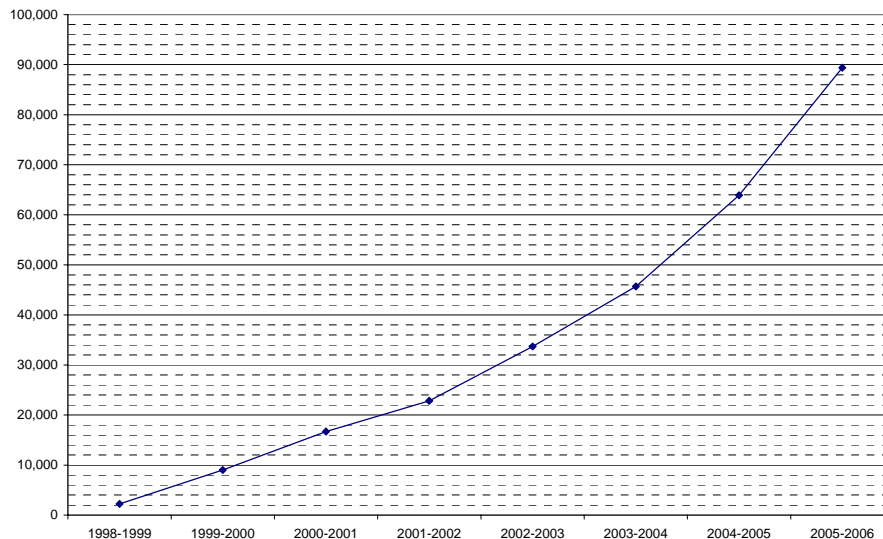
Moreover, charter schools that remain in operation have experienced significant annual student growth. For the 2003-2004 school year, 90 charter schools are in at least their third year of existence. For these schools the median increase in the number of students from the 2002-2003 school year, to the 2003-2004 school year, is 10 percent. For the two-year period from the 2001-2002 school year, to the 2003-2004 school year, the median enrollment increase among these charter schools is 32 percent. Thirteen of these schools have seen at least a two-fold increase in enrollment in only two years.

The newest charter schools tend to experience more rapid growth than do established ones. For instance, the median one-year and two-year increases in enrollment for charter schools opened since 2000 are 12 percent and 40 percent, respectively. For those charter schools that opened prior to 2000, the median change in students from last year to this year is eight percent. The median enrollment growth over two years for these "older" charter schools is 26 percent.

Another factor that will likely compound the growth in charter school enrollment is the advent of the internet charter school. Over the last two years ECOT, OHDELA and TRECA have seen their combined enrollment levels increase by more than 3,800 students. With low operating (i.e., labor) costs and absent geographic barriers, these and other "digital" schools could pose a tremendous drain on the enrollment of traditional school districts.

It is estimated that during the next two years charter school enrollment could easily double. If current growth patterns continue, by the 2005-2006 school year, the number of charter school students in Ohio could reach 90,000. As statewide public school enrollment levels have remained virtually flat over the last several years, these 90,000 charter students would account for approximately five percent of total public school enrollment.

Projected Charter School Enrollment Growth



Part 2 – Academic Achievement

The proponents of charter schools promise a greater level of student academic achievement than traditional public schools have been able to provide. In fact, state law requires charter school contracts to contain an accountability plan for student performance; if the terms of the contract are not met, the charter school can be closed.

Supporters continue to proclaim the academic success of charter schools. Recently, Jeanne Allen, president of the Center for Education Reform announced, “What the research reveals is: charter schools work.... In short charters have accomplished what their advocates said they would” (www.edreform.com).

These claims, however, often come with qualification. Some of the reasons charter school supporters use to explain why charter school students typically do not perform well on standardized tests are: test scores, while low, reflect improvement; charter school test results compare well to those of similar traditional school districts; charter schools target low achieving students; charter schools serve a proportionately larger number of special needs students than do traditional school districts.

Moreover, when research fails to prove that charter school students are performing as well as, or better than, students attending traditional schools, proponents attempt to discredit the findings. For example, CER challenged the results of a recent study by the General Accounting Office claiming the study was too limited in its scope to support the conclusion that no significant difference can be found in student performance between privately managed schools and traditional schools in the six cities that were analyzed (www.edreform.com).

In reality, charter schools have not advanced student academic achievement. The most recent Local Report Cards (measurements of pass rates on the state’s standardized tests and other indicators of school performance) suggest that Ohio charter schools have failed to improve student scholastic achievement.

ODE posted Local Report Card results for 611 traditional school districts (Middle Bass, one of the “Island” districts was not included) and 88 charter schools for the 2002-2003 school year. These report cards identify the number of performance indicators met for each school district and charter school. School districts are measured using 22 standards. Charter school report card results are based on the number of standards that are applicable. If a charter school does not serve a grade level or grade levels that are tested, those corresponding indicators are not included in the report card. Only two of the 88 charter schools had report cards measuring all 22 standards. One of these two charter schools met only a single standard; the other met none of the standards. The report cards also designate for each school district which one of five academic classifications (academic emergency, academic watch, continuous improvement, effective, or excellent) it falls under, depending upon the number of performance indicators met. For some reason, only 58 of the 88 charter schools were affixed with a performance label by ODE. The Local Report Card also identifies whether or not a district or charter school has met the federal government’s new standard of adequate yearly progress (AYP).

Since the full 22 indicators are not applicable to most charter schools, a look at the percent of the total possible standards met can serve as a barometer of performance. For instance, for the 88 charter schools with report card results for the 2002-2003 school year, only 18 percent (128 of 702) of total performance standards were met. Comparatively, statewide traditional school districts met 67 percent of total possible standards.

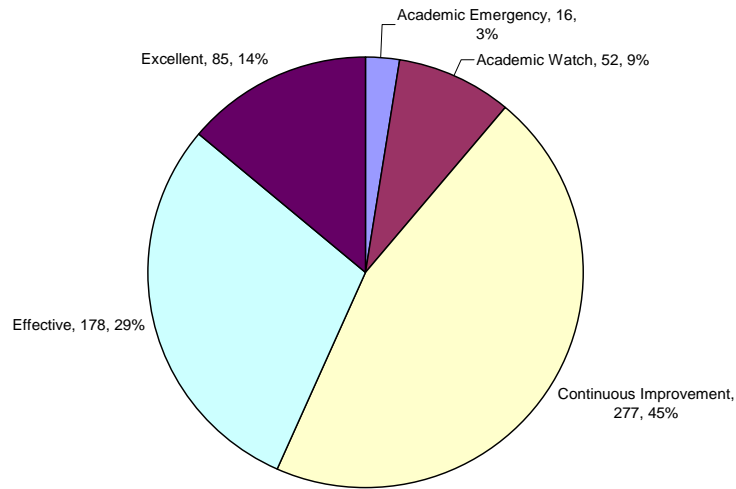
The “Big 8” school districts provide to charter schools about two-thirds of their total student population. The most recent Local Report Card data show these largest urban districts cumulatively met 37 of 154 possible performance indicators for a combined rate of 24 percent, a level that is six percentage points higher than the results for all Ohio charter schools.

Of the 58 charter schools that were academically rated, 43, or 74 percent, were deemed to be in either academic emergency or academic watch. Statewide, only eleven percent of traditional public school districts were placed in either of these categories. In addition, 28 percent of students attending traditional public schools were enrolled in either academic emergency or academic watch districts. Eighty-seven percent of charter school pupils attended academic emergency or academic watch schools. Only three charter schools

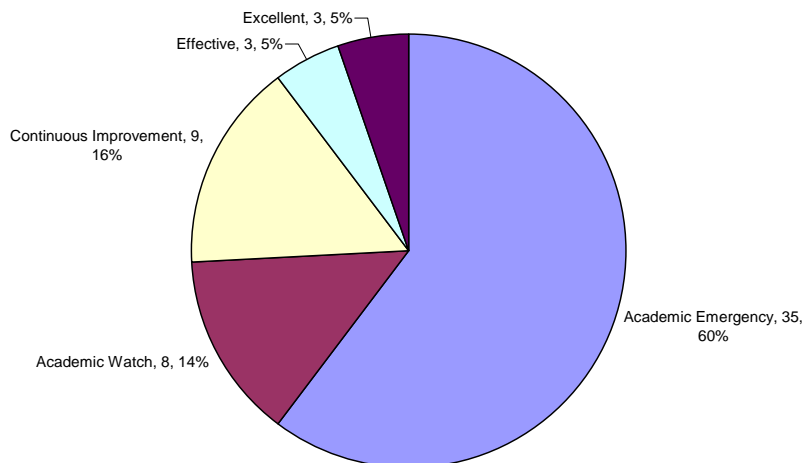
were rated to be excellent. The attendance rate is the only indicator applied to these three “excellent” schools.

Measuring academic improvement for charter schools is somewhat difficult, since almost half are only in their first or second year of operation. There are only 13 charter schools that have been operational since 1998. The Local Report Card results for these schools indicate that these 13 schools met only 12 percent (11 of 89) of total performance standards.

Traditional School Districts Report Card Results



Charter School Report Card Results



Almost half of the traditional school districts (i.e., 48 percent) met the new AYP standard. Virtually the same portion of charter schools also achieved AYP. However, the portion of charter schools that met AYP falls to just 22 percent among the 58 for which an academic label (academic emergency, academic watch, etc.) has been affixed. Inexplicably, ODE deemed 29 of the 30 charter schools that were not placed in an academic category to have met their AYP, although they did not meet all applicable goals. In addition, of the nine charter schools opened since 1998 that were graded on more than a single standard, only one met AYP.

Finally, claims that charter schools serve a more challenging student population than do traditional school districts do not appear to be accurate. Less than eight percent of charter students fall within ODE's six special education categories. Conversely, about 12 percent of traditional school students are similarly classified.

Part 3 – Financial Impact

As the number of charter schools has grown and as charter school enrollment has increased, the amount of dollars transferred from traditional school districts to charter schools has increased as well. State funding levels for charter schools have grown from \$11 million for the 1998-1999 school year, to \$290 million for the 2003-2004 school year.

Charter School Funding Growth	
School Year	State Funding (millions)
1998-1999	\$11
1999-2000	\$52
2000-2001	\$91
2001-2002	\$139
2002-2003	\$204
2003-2004	\$290

2003-2004 funding amounts reflect ODE data as of March 2004

The combination of a stagnant economy, the state's failure to comply with the Supreme Court's DeRolph rulings, reductions in taxes on businesses, and rising expenses (especially for employee health insurance, utilities, and other building related expenses) are placing a financial strain on many Ohio school districts. Last year nearly six of every ten districts spent more than they took in, and ODE has identified more than 150 Ohio school districts that are projecting potential deficits by the end of the 2004-2005 school year. Of that total number less than one-third have successfully passed a levy since the ODE analysis was conducted.

Admittedly, school district treasurers tend to develop financial forecasts that are overly cautious, often projecting deficits that never occur. However, these forecasts do prompt ODE to require school districts to submit plans as to how the projected deficits will be avoided. Accordingly, the school districts that have projected deficits, and many others that are experiencing shrinking cash balances, are contemplating reductions in educational programs, extracurricular activities, transportation services, and staffing levels. Obviously, removing \$290 million from school district budgets only worsens an already difficult situation.

For example, the Cleveland Municipal School District, the largest district in the state, is projecting a \$60 million deficit by the end of fiscal year 2005. During the last three years, the district has lost more than \$100 million to charter schools and that amount could easily reach \$60 million next year alone. Ohio's second largest school district, Columbus Public Schools, has lost more than \$47 million to charter schools during the last three years. It is projecting a year-end deficit for fiscal year 2005 in excess of \$70 million.

The relationship between charter schools and financial challenges extends beyond those faced by large, academically challenged urban districts. There are 59 academically effective or excellent school districts in Ohio with enrollment of less than 1,000 students. Twelve of these districts are projecting an operating deficit at the end of the 2005 fiscal year. Eleven of those twelve districts, or 92 percent, have students enrolled in charter schools. For those districts that have not projected a FY2005 deficit, the portion with students attending charter schools is much lower at 64 percent.

Significant debate has ensued regarding the state's method of funding charter schools. Charter school advocates insist those schools must be funded entirely with state dollars. Critics, on the other hand, maintain that the effect of the state's funding formula does indeed result in local dollars being diverted to charter

schools. To keep this report brief and understandable, this debate is set aside for the time being and it is temporarily assumed that “only” state dollars are used to fund charter schools. However, with that said, the illustrated case of Dayton Public Schools clearly demonstrates that state funding for charter school students is much higher than it is for students attending traditional public school districts.

Dayton Public Schools	
Calculated from the November 21, 2003 State Foundation (SF3) Report	
Average Daily Membership (i.e., formula enrollment)	22,377.66
District Enrollment	16,645.82
Charter Schools Enrollment	5,731.84
Total State Basic Aid	\$110,989,959.12
Charter Schools Deduction	\$34,912,192.02
Total State Basic Aid less Charter Schools Deduction	\$76,077,767.10
State Aid per Charter Student	\$6,090.92
State Aid per District Student	\$4,570.38

This per pupil funding difference exists even though Dayton Public Schools serve a much larger special education student population than do its competing charter schools. At 19.7 percent of total enrollment (excluding charter students), the portion of special needs students DPS is educating is five times that of the competing charter schools where special education students comprise only 4.9 percent of total enrollment. This point is made because special education students are funded at a higher level than other students, thus, further demonstrating the inequity of charter school funding.

Statewide data show charter schools will receive \$6,131 per student in state aid for the 2003-2004 school year. Traditional school districts will receive \$3,092 per student.

Unfortunately, traditional school districts are likely to face additional funding problems as charter school enrollment grows. As more and more students enroll in charter schools, citizens may be enticed by anti-tax forces to vote against tax levies for school districts their children no longer attend, thus, eroding a base that has historically supported levy efforts.

Part 4 – Impact on Labor

While charter schools are afforded many exemptions from Ohio law, one statute from which they are not exempt is Chapter 4117 of the Ohio Revised Code (the Ohio Public Employee Collective Bargaining Law). Employees of charter schools have the same right to organize and bargain collectively as do their counterparts in traditional public school. However, up to now this right rarely has been exercised. There are 146 start-up charter schools in operation for the 2003-2004 school year. However, according to the State Employment Relations Board, only Aurora Academy and the Horizon Science Academy of Columbus are organized.

Some have even suggested that one of the unstated goals of charter school backers is to undermine the role of unions that represent teachers and education support professionals. Confirming such a goal is beyond the scope of this paper, but understanding the impact that charter schools have had on unions is not.

There is no disputing the fact that charter schools have reduced union represented bargaining unit positions. Moreover, the labor organizations that typically represent school employees are currently embroiled in litigation over the constitutionality of the Ohio charter school law. However, these unions believe that charter school employees ought to enjoy the same level of pay, benefits, and working conditions that have been achieved, through collective bargaining, by their counterparts in traditional public school districts.

Of the more than 45,000 students enrolled in charter schools this year, more than 25,000 of them left school districts whose teachers are represented by the OEA; more than 17,000 students transferred from school districts represented by the OFT; and less than 50 charter school students are from traditional school districts whose employees are not represented by a union.

So, what is the impact of charter schools on labor unions in Ohio? While there is likely no way to accurately measure the number of union positions lost to charter schools, such a measurement can be made on at least a hypothetical level. To do so, the following must first be considered:

- ❖ The loss of only a few students will not necessarily result in a reduction in staffing levels.
- ❖ Charter schools enroll a somewhat higher percentage of kindergarten and elementary students, where class sizes tend to be larger, than do traditional school districts.
- ❖ The size of the charter school workforce, generally, is not equivalent to traditional school district staffing levels. Many charter schools operate internet schools that generally employ a much smaller number of personnel than do schools that provide classroom instruction.
- ❖ Some charter schools are conversion schools that are sponsored by traditional school districts. By law, union represented employees of these schools remain covered by the sponsoring district's collective bargaining agreement.

Given the above considerations, the loss of teaching positions is calculated by dividing each school district's ratio of students to teachers by the number of students who have left the district to attend charter schools. Where the number of charter students is less than the student-to-teacher ratio, it is assumed no teaching position has been lost. Further, the calculated result is truncated, meaning the product is reduced to the lowest whole number. More than half of students attending charter schools are enrolled in kindergarten through fifth grade. Forty-five percent of traditional school districts pupils are enrolled in these grade levels. Accordingly, to account for larger elementary class sizes, the result of the above calculation is reduced by five percent, which is the approximate difference between charter schools and traditional schools in K-6 students as a portion of total enrollment.

Based on this formula, it is estimated that 2,989 traditional public school teaching positions have been lost to charter schools.

To determine the number of education support professional positions lost to charter schools, the number of teaching positions is multiplied by 60 percent, the statewide ratio of support staff to professional staff for school districts. The result of this equation is 1,793 education support personnel lost. Thus, the total number

of traditional public school personnel, excluding administrators, lost to charter schools is calculated to be 4,782.

The local associations that have been most greatly impacted by charter schools have negotiated fairshare fee arrangements into their collective bargaining agreements. Generally, such arrangements correspond to a very high union membership rate. Thus, very few of union-represented bargaining unit positions lost to charter schools were held by non-members.

Finally, state law requires the staff of conversion schools sponsored by traditional school districts to remain a part of any bargaining unit in which they were included immediately prior to the conversion. As such, the number of union positions lost to charter schools would be somewhat lower than the calculated number. However, for several reasons, a decision was made to not attempt to incorporate the impact of conversion schools into the union-positions-lost calculation. First of all, conversion schools account for only six percent of total charter school student enrollment. Only nine of the 29 conversion schools report the number of teachers they employ. Also, most conversion schools are internet schools requiring only a fraction of the staff that is necessary in a traditional classroom setting. Many of the students attending conversion schools were not originally enrolled in the sponsoring school districts. Further, conversion schools enroll students from traditional school districts whose staff may be represented by different unions from the ones that represent the staff of the sponsoring districts.

The following table indicates positions that were represented by a union and have been lost to charter schools based on the distribution and size of the local associations that represent teachers and education support personnel. It also indicates the number of potential union-held positions lost by the 2005-2006 school year, if the current rate of growth of charter school enrollment continues.

The losses to OEA for the 2005-2006 school year may be understated and those to OFT may be overstated as current charter school enrollment growth rates of the “Big 8” districts are lower than those of other school districts. About 80 percent of OFT school district members are employed with the Cincinnati, Cleveland, and Toledo public schools.

Estimate of Union Positions Lost to Charter Schools		
	2003-2004	2005-2006
Teacher – OEA	1,442	2,826
Teacher – OFT	1,412	2,768
Teacher – Other	135	266
ESP – OEA	117	229
ESP – Other	1,676	3,285
Total	4,782	9,374

Part 5 - Competition and Choice

Although this report addresses this topic last, it may very well be the most important part of this assessment, addressing the core issue on which the state of Ohio's charter school movement is based.

Originally, charter schools promised to surpass traditional public schools in growing student academic achievement. As this promise remains unfulfilled (see *Part 2*), charter school advocates have necessarily reframed the issue in debate. Now, much of the rhetoric is centered on the philosophical arguments heralding the benefits of school choice and competition. As stated by the Center for Education Reform, "the key underlying principle continues to be that school choice promotes competition, which is beneficial to all schools whether privately managed or traditionally funded. Competition raises the bar across the board and offers parents the freedom of choice when it comes to the educational future of their children" (www.edreform.com).

The notion that school choice is beneficial to all schools, because it promotes competition, is simply not true. First, competition does not exist when the competitors do not compete on a level playing field. Absent true competition, the perceived value of "choice" is nothing more than a fantasy. Secondly, even if true competition did exist, it would not be a benefit to Ohio's schoolchildren.

Based on current state statutes, Ohio's charter schools are not required to operate on a level playing field when compared to traditional school districts. One of the key aspects of Ohio's charter school statute is to reduce the number of legal requirements by which traditional public schools are bound. The Ohio Legislative Service Commission identified no fewer than 160 Ohio Revised Code provisions from which charter schools have been exempted.

Based on these exemptions, charter schools have not been required to: adhere to minimum standards pertaining to the assignment of professional personnel based on qualifications and training; appoint and train licensed treasurers; competitively bid for school projects; adopt a comprehensive school safety plan; prohibit teachers from leading meditation on moral, philosophical or patriotic themes; retain certain chronic truants; deny continued enrollment to students who have failed to submit immunization records; prohibit students from smoking in school areas; prohibit the sale of for-profit items in school areas; adhere to standards for school food programs; report school average daily membership; apply the state minimum teachers' salary schedule; apply leave of absence requirements for school employees; comply with reduction in teaching force requirements; meet student transportation standards; comply with standards related to the purchase and selection of textbooks; develop a five-year forecast (LSC Research Memorandum, October 2001).

Another area in which traditional schools are required to meet more stringent standards than charter schools is in accessing education funding. Traditional school districts normally rely on local tax dollars for about half of their funding. In many districts, this demand necessitates a continuous round of local fundraising in order to generate support for school levies. Charter schools, which are unable to seek local tax levies, rely on state aid for their primary source of funding and, as illustrated in *Part 3*, receive a disproportionately higher level of state aid per student than do traditional public school districts.

Moreover, absent a union fighting for the economic security of its members (see *Part 4*); charter schools pay their employees lower salaries. For instance, the average teacher salary for charter schools in Ohio for the 2002-2003 school year was \$30,612. Traditional school districts paid teachers an average salary of \$43,477, or more than 40 percent above the charter school average. Very little of this phenomenon is explained by the fact charter school teachers tend to be less experienced than their counterparts in traditional public schools. For those charter schools in which 58 percent of the teacher staff have at least ten years experience (i.e., the statewide average for traditional school districts), the average salary climbs by just 12 percent to \$34,271.

Finally, contrary to the claims of charter school proponents, charter schools typically enroll fewer special needs students than do traditional schools. In fact, as mentioned in *Part 2*, charter schools serve a much smaller special education student population as do traditional districts. This difference is magnified when charter schools are compared to the districts in which they most often "compete" (see the Dayton example discussed in *Part 3*).

Public education provides significant profit opportunity for private charter school operations. Traditional school districts in Ohio received more than \$14 billion in operating revenues for fiscal year 2003, nearly half of which was state funding. Charter school operators are not philanthropists, donating huge sums of money to ensure a quality education for the children of Ohio. Mostly, they are businesspersons whose aim is to provide a service that will return a profit. One of the best ways to achieve this aim is to increase market share, which is accomplished by decreasing competition.

Competition is decreased when at least one of the competitors is allowed to cut corners (exemptions from law), when the quality of the service provided by one of the competitors is not held to the same level of scrutiny or compliance as the other party (relaxed reporting of student achievement), when one of the competitors is allowed to provide its service at a lower cost (low salaries), and when one of the competitors is greatly subsidized by the government at the expense of other competitors (inequitable transfer of state funds).

One private charter business in particular has exploited these competitive advantages and has gained a significant share of the charter school market. White Hat Management, a for-profit education management organization, boasts it is the largest charter school operator in Ohio and the fifth largest in the United States (www.whitehatmgmt.com). It currently operates ten Hope Academies and 17 Life Skills Centers in the state as well as the Ohio Distance and Electronic Learning Academy (OHDELA) and the Riverside Academy. Thus, a total of 29 charter schools are managed by "White Hat." These schools enroll 27 percent of the state's total charter school student population -- effectively making White Hat the twelfth largest "public school district" in the state -- and receive \$76.5 million in funding through the foundation program.

Yet, even as White Hat has successfully added 14 new schools to its Ohio resume in just the last two years, its existing schools have not been successful on the proficiency tests. Specifically, they met only nine percent of total possible Local Report Card standards for the 2002-2003 school year.

Ohio's charter school program in general, and White Hat's prominent place in it in particular, appear to be driven by growth, and the dollars that come with growth, without being held accountable for failing to keep its promise to improve student achievement. The philosophy of charter school supporters has not been reflected in their performance. Competition has not benefited students. In an industry that serves the "public good," public educators cannot be motivated by market share, price competition, and profitability. The motivation must be to provide the resources needed to ensure the best possible education system for Ohio's schoolchildren.