

# BELLY UP: A REVIEW OF FEDERAL CHARTER SCHOOL PROGRAM GRANTS

How the U.S. Department of Education has given money hand-over-fist to Ohio charter schools that have closed and sometimes never even opened

**KNOWYOURCHARTER**

*How Ohio Charter Schools Are Performing*

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### INTRODUCTION

Last fall, the U.S. Department of Education (USDOE) stunned many who were familiar with the consistently poor performance of many of Ohio's charter schools when it announced that the state was the largest recipient of a federal grant to expand charter schools<sup>i</sup>. This was stunning, because the badly-needed reforms of Ohio's charter school sector had yet to be enacted and state oversight of charter schools up to that point had been sorely lacking<sup>ii</sup>. While the federal program has gone to many high-performing charters, in line with its intent, a disturbingly high number of charters that received the grants went belly up shortly after winning their grant, or never opened in the first place.

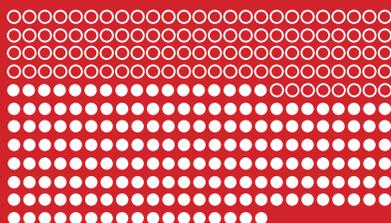
Of the \$157 million that the USDOE awarded to eight states on Sept 28, 2016, Ohio was slated to receive the largest sum of public money - \$71 million. However, this announcement prompted an immediate outcry<sup>iii</sup> to re-examine the decision and called into question how USDOE makes these grant decisions. As a result, federal regulators quickly reversed course. They announced on Nov. 4, 2015, that they would place the grant on hold until the Ohio Department of Education could meet new, more rigid requirements<sup>iv</sup>.

This sudden reversal - from awarding Ohio the largest sum of federal grant money to almost immediately placing that funding on hold indefinitely - begs a closer examination of not only how the U.S. Department of Education awards these Charter School Program (CSP) grants, but also how well the recipients of these grants have fared in Ohio relative to other federal grant programs.

Adding to concerns about ODE's ability to oversee the state's troubled charter school sector, Auditor of State David Yost stated during a May 23 news conference that ODE was "among the worst, if not the worst-run state agency in state government."

108 OF THE 292  
CHARTER SCHOOLS

THAT HAVE RECEIVED FEDERAL CSP FUNDING



37%  
FAILED

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CLOSED OR NEVER OPENED

TOTALLING NEARLY

\$30 MILLION

## A PERFORMANCE REVIEW OF FEDERAL CHARTER GRANTS IN OHIO

The U.S. Department of Education has been awarding federal Charter School Program (CSP) grants to State Education Agencies (SEA) since 1995<sup>v</sup>. According to the Department, “the purpose of the CSP is to increase the national understanding of the charter school model by (1) expanding the number of high-quality charter schools available to students across the nation by providing financial assistance for the planning, program design, and initial implementation of charter schools, and (2) by evaluating the effects of charter schools, including their effects on students, student academic achievement, staff and parents.”

### AN EXTRAORDINARY FAILURE RATE

These grants are geared toward the development and expansion of new charter schools, which can be a high-risk proposition. **Since the 2006-07 school year, 292 Ohio charter schools have received CSP grants totaling \$99.6 million in federal aid<sup>vi</sup>.** However, the failure rate for these charter schools is staggering:

- At least **108 of the 292 charter schools** that have received federal CSP funding (37 percent) **have either closed or never opened**, totaling nearly \$30 million;
- Of those that failed, at least 26 Ohio charter schools that received nearly \$4 million in federal CSP funding apparently **never even opened** and there are no available records to indicate that these public funds were returned;
- The charter schools that have received CSP funding and received State Report Card grades in the 2014-2015 school year had a **median Performance Index score that was lower than all but 15 Ohio school districts and would have been graded as a D.**
- A recent state audit of 44 Ohio charter schools found 15 percent attendance discrepancy. Of these 44 charters, 17 had received CSP grants totaling \$6.6 million in federal funding and one of these schools – the London Academy – only had 10 of the 270 students in attendance.

AT LEAST

26

OF THOSE FAILED CHARTERS

THAT RECEIVED NEARLY \$4 MILLION  
IN FEDERAL CSP FUNDING

NEVER OPENED

AND THE

PUBLIC FUNDS

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For the purposes of this report, the failure rate mentioned above is a charter that has closed since a CSP award was granted or one that has never opened. Also, this data come from a comparison of the federal awards database, Ohio's list of closed charters, as well as the Ohio's Community School Annual Report, which lists all charters ever opened in the state.

The CSP grant program has been in existence for more than 20 years, but because federal regulators didn't start tracking where the grants went until 2006-07, the total volume of grants and the number of schools that received funding and failed is likely much higher. Over the life of the program, Ohio has received more federal grant funding than all other states except Florida and California.

## EXAMPLES OF OHIO CHARTERS THAT GOT FEDERAL CSP GRANTS <sup>1</sup>

### **Imagine Schools** *Total Ohio CSP grants of \$5.9 million*

The chain has been under fire nationally for saddling schools with exorbitant leases paid to its subsidiary, SchoolHouse Finance<sup>vii</sup>. Imagine recently lost lawsuits in Indiana and Missouri over the same type of abusive leases seen in Ohio. A federal judge in Missouri ordered Imagine to pay \$1 million and called the lease arrangement "self-dealing." One of the chain's worst-performing Ohio schools, Romig Road in Akron, is among the charters that closed – but received federal grant money. All of Imagine's Ohio schools received a D or F on the most recent state report cards for Performance Index – the state's proficiency measure that determines, among other things, whether charters should open in low-performing districts.

### **Horizon Science and Noble Academies** *Total CSP grants of \$7.6 million*

Linked to a Muslim cleric exiled in Pennsylvania, the chain is the subject of an ongoing FBI investigation, and WikiLeaks<sup>viii</sup> revealed cables showing the US State Department notified the CIA about suspicious visas for teachers and administrators. In June 2014, 19 of its schools were raided by the FBI, including four in Ohio<sup>ix</sup>. The Ohio schools also have been dogged by allegations of test-tampering, teachers using racial slurs, unqualified teachers, and sexual misconduct in the classroom. ODE investigated allegations raised by teachers who witnessed the problems but found no wrongdoing<sup>x</sup>.

### **White Hat Management** *Total CSP grants of \$1.4 million*

Owner David Brennan has been the most powerful and influential of Ohio's charter school operators since state money started flowing to them<sup>xi</sup>. Brennan's schools are routinely among the lowest performing. His Life Skills schools graduate as few as 1 percent of their students, but remain in operation solely because each received a waiver from the state<sup>xii</sup>. While Ohio's historically lax regulations make it difficult to close even the worst schools, four of Brennan's other schools have been shut down for academic reasons or contractual non-compliance<sup>xiii</sup>. Staffers for GOP state Auditor David Yost made surprise visits to charters to see if they're padding attendance records and discovered the dropout recovery schools operated by White Hat Management were among the worst<sup>xiv</sup>. One of the White Hat charters that received federal funding was Life Skills of Dayton, which last year graduated 18 of its 215 eligible students.

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<sup>1</sup>For more on these recipients, see Addendum 1

## COMPARING CHARTER GRANTS TO OTHER FEDERAL GRANT PROGRAMS

Federal grant making and public subsidies to the private sector are not new. But when the failure rates of the USDOE's charter grant program are compared to other federal subsidies, the difference is stark.

According to GoodJobsFirst.org, only 2 percent of all federal subsidies went to companies that closed or failed to open<sup>xv</sup>. Specifically, only 15 of 1,076 companies nationwide that received federal grants<sup>xvi</sup> went belly up – a list that includes the notorious Solyndra and Lehman Brothers collapses.

**Comparing the very high failure rate (at least 37 percent) of the U.S. Department of Education's CSP grants in Ohio to the very low failure rate (2 percent) of other federal grant programs nationwide should be a wake up call to policymakers and federal regulators.**

## VERY LITTLE OVERSIGHT OR ACCOUNTABILITY

Since the grant program started in 1995, the U.S. Department of Education apparently has conducted exactly one examination of Ohio's grant awards – and that review was contracted out seven years ago to a private education consulting firm called WestEd<sup>xvii</sup>, which has written many pro-charter school reports<sup>xviii</sup>. Not surprisingly though, this 2009 assessment found some serious problems in Ohio.

First, WestEd identified weaknesses in the process by which the Ohio Department of Education awarded CSP grants to charters: **“The State needs to strengthen its subgrant application and verification process to ensure compliance with Section 501(c)3 eligibility requirements.”**<sup>xix</sup>

Second, WestEd found several very problematic things about Ohio's oversight structure at that time: **“... ODE does not require sponsors or subgrant recipients to attend... trainings and monitoring varies in scope and depth from sponsor to sponsor. OCS supervisory staff reported that although it is strongly encouraged, they did not feel they had the authority to mandate attendance at training.”**<sup>xx</sup>

WestEd was particularly concerned about for-profit operators acting as the de facto school, even choosing the members of its charter schools' boards. This heavy-handed operation would mean, according to the WestEd authors, that these schools would fail to meet the federal definition of a charter school and wouldn't be eligible to receive any federal funding under this grant, even though they had.<sup>xxi</sup>

In addition, the report found that “it did not appear that adequate pre-screening of potential reviewers either solicited or encouraged persons with the experience or expertise required to evaluate the potential of an application to result in the establishment of a high-quality, sustainable charter school.”<sup>xxii</sup>

The report even said that applicants were **required** to sit on the peer review panel that passed out the money to the schools. So the applicants were deciding who would get the money they applied for!

As the WestEd reviewers said, “Although efforts were made to screen reviewers for potential conflicts of interest, it could not remove the appearance or potential of such.”<sup>xxiii</sup>

WestEd further described an incident where a potential reviewer told the department that she was not really “aware of what was going on currently” in charter school law, so she asked that the department exclude her from their reviewers list. Instead of finding someone else, the department ignored her concerns and thanked her for “agreeing to participate as a community school grant reader.”<sup>xxiv</sup>

Since this report, several new charter school laws (most significantly, House Bill 2 which passed last year<sup>xxv</sup>) have remedied some of these concerns. However, Ohio’s history of not allowing the state’s oversight agency – the Ohio Department of Education – to exercise any real, meaningful oversight of the state’s charter sector greatly concerned the private company hired to monitor the state’s federal grant program.

It is noteworthy that the state’s new State Superintendent of Public Instruction, Paolo DeMaria, was Associate Superintendent of Finance and School Options at the Department of Education during this period<sup>xxvi</sup>. This means he was the Associate Superintendent over the department that doled out these grants – grants that caused significant concern for the private company that examined it.

## **CSP CHARTERS HIGHLIGHTED IN RECENT STATE AUDIT**

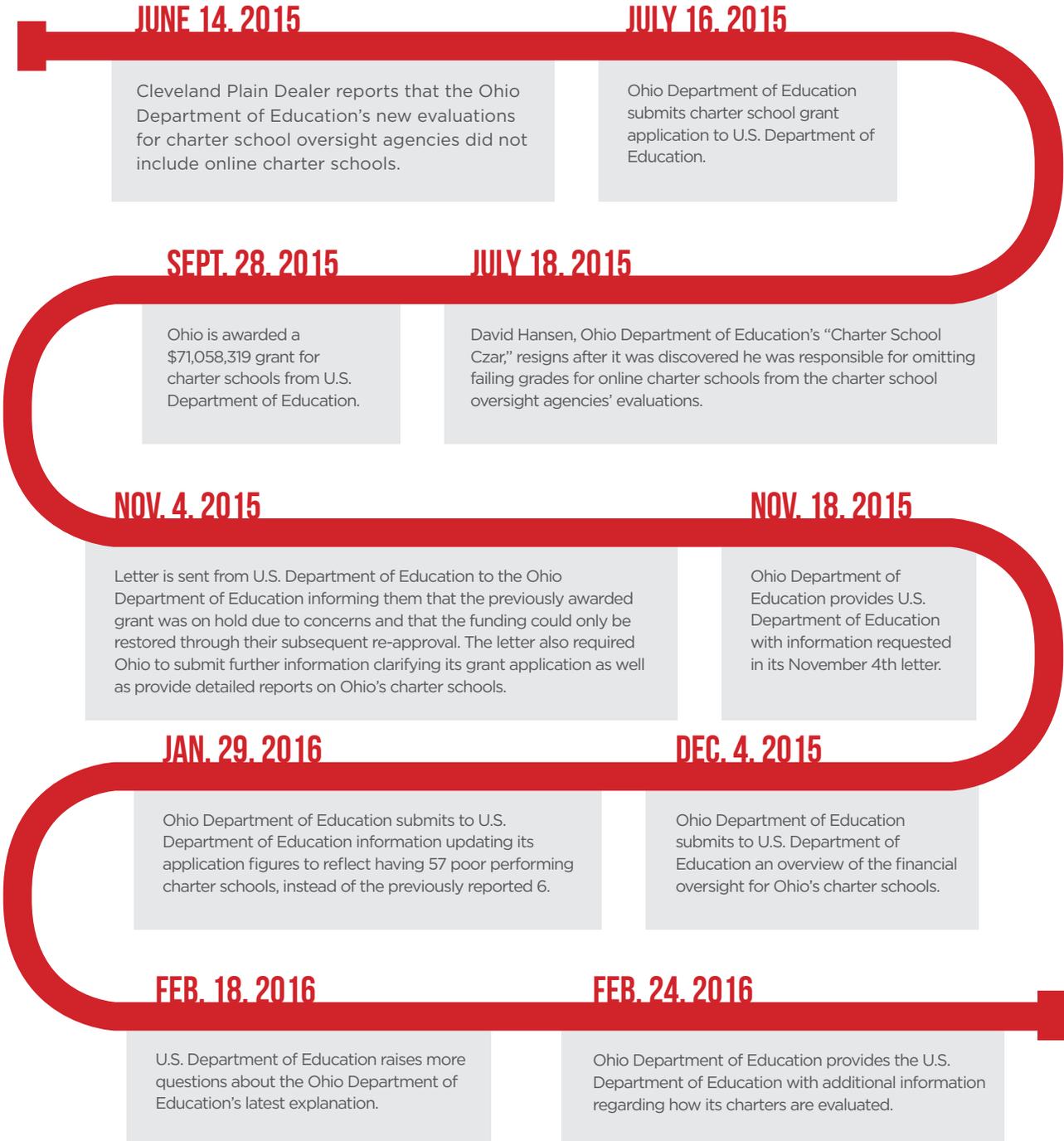
On May 23, Ohio Auditor David Yost revealed the results of his follow-up surprise audit of student populations in random charter schools. The audit found that dropout recovery charter schools had as few as 0-50 percent of its reported students actually in the classroom. While the attendance issues had improved a bit from the previous year, he declared that “50 percent and under doesn’t pass the smell test.” This is a problem because charter school funding is based on how many students a school reportedly has.

Of the 44 charters checked by Yost’s auditors, 17 received a total of \$6.6 million in federal CSP funding. Those 17 charters averaged 15 percent fewer students than were in ODE’s records. And, in fact, a school with one of the worst attendance rates in the state – the London Academy, where only 10 of a reported 270 students were in attendance – received \$150,000 in federal funding. Yost cited the London Academy both in his audit and during his news conference announcing the findings.

# THE CONTROVERSIAL \$71 MILLION DOLLAR OHIO CHARTER GRANT

It's been well documented that the Ohio Department of Education made numerous statements on its grant application to the U.S. Department of Education that were factually inaccurate and misleading<sup>xxvii</sup>. A previous analysis examined these 12 questionable statements from Ohio's initial grant application in July 2015, which can be read here: *Problems with Ohio's Charter School Program Application to the U.S. Department of Education*.

## TIMELINE OF THE CONTROVERSIAL \$71 MILLION OHIO CHARTER GRANT



Since the USDOE subsequently placed an indefinite hold on Ohio's \$71 million CSP grant, state officials have tried to clean up the mess. In a letter dated Jan. 29, 2016<sup>xxviii</sup>, state officials revised the number poor-performing charter schools in Ohio from 6 on its initial application to 57 - a tenfold increase!

Even this admission hasn't satisfied the newly vigilant federal regulators. In an email response to this document, the USDOE raised even more questions<sup>xxix</sup>. For example, despite ODE's claims in their January letter that the state's definition of high-quality charters is more rigorous than the federal definition, "Overall, we were not able to determine how Ohio's new definition fully maps to the federal definition to illustrate it is just as rigorous as our definition." In addition, the federal regulators couldn't follow the state department's list of charters, claiming the schools' names changed and lists didn't match.

It is unclear how many more rounds of ODE responses will be required by USDOE regulators.

Yet, even this revised number of 57 failing charters doesn't accurately reflect the depth of failure in Ohio's charter schools. This is because even under the new criteria that ODE used for the revision, it still did not account for Ohio's poor-performing online-charter schools, specifically the Electronic Classroom of Tomorrow (ECOT), the Ohio Distance and Electronic Learning Academy (OHDELA), and the Virtual Community School of Ohio.

**By excluding these three schools, the total percentage of Ohio students enrolled in poor-performing charters is reduced from 31 percent to 16 percent.** This reduced percentage of 16 percent (not the actual percentage of 31) would have made it appear much more realistic that ODE could reach its stated goal on its federal application to have "70% of charter school seats in effective schools by 2020."

The supposed justification for not including these three poor-performing online schools is that CSP grant funding is only for high-performing schools, which Ohio's eSchools are not<sup>xxx</sup>. But that response is not consistent with past practice. **The Ohio Department of Education has provided 33 online schools** (including the large statewide Buckeye Online School of Success, Treca Digital Academy, Connections Academy and Quaker Digital Academy) **more than \$7 million from past CSP grants.**

In addition, as the WestEd assessment indicated, Ohio's subgranting process has flaws. This became evident when Ohio awarded money to four schools that were forced to close under the state's automatic closure law. Only two-dozen charters have ever performed poorly enough to be automatically closed and 17 percent of those received federal grant money meant to grow high-quality charters. Some of the state's most notoriously poor performing and scandal-ridden charter school chains - the Horizon Science and Noble Academies, as well as schools run by White Hat Management and the Imagine Schools - also received funding. This greatly contradicts the notion that CSP grants only go to high-performers.

It is unclear how the U.S. Department of Education decided to give more money in this round to Ohio than any other state because the department won't release the names of the reviewers who gave Ohio the money. If the money truly went to grow the state's few high-quality charter schools, that would be one thing. But ODE's past subgranting track record indicates that much of the funding will likely flow to the state's poorest performers.

## CONCLUSION

We may never know how the grant reviewers ignored the state's horrific history of granting money to some of the worst-performing schools in the state, as well as the concerns revealed in the only apparent examination of the program done by the USDOE. And that doesn't even account for the mountain of news stories detailing Ohio's scandalous charter school industry – a sector that even staunch charter school supporters called “a debacle”<sup>xxxix</sup>, while pro-charter researchers have determined that 40% of Ohio's charter schools are in “urgent need of improvement.”<sup>xxxix</sup>

In fact, the author of the state's CSP grant application, David Hansen, was forced to resign shortly after turning it in because he illegally manipulated the state's accountability system to benefit the state's politically connected eSchool operators<sup>xxxix</sup>. The data manipulation occurred prior to then-State Superintendent Richard Ross signing off on the application prepared by Hansen. The grant was largely given to Ohio because of the system Hansen had manipulated.

In the case of Ohio, it is clear the federal CSP grant program is in dire need of greater oversight, improved accountability, and basic commonsense. Given the high-demand for precious resources to educate Ohio students, it's tragic that so many additional resources are being wasted on poor-performing charter schools that too-often close, or in some cases never even open. Federal regulators and policymakers from both parties must take a closer look at this program before another precious dollar is wasted on charter schools that don't improve our overall educational performance in Ohio.

**APPENDIX 1 – CLOSED CHARTERS RECEIVING FEDERAL GRANT FUNDING**

<b>Charter School</b>	<b>Total Federal Grant</b>	<b>Year Closed</b>	<b>Closure Reason</b>	<b>Closure Mechanism</b>
Academy of Arts and Humanities	\$750,000	FY11	Academic/required by law	Closure law
Academy of Arts and Humanities	\$58,911	FY11	Academic/required by law	Closure law
Academy of Columbus	\$315,000	FY13	Poor academic and financial performance	Voluntary
Academy of New Media Middle	\$388,644	FY14	Closed by governing authority - sponsor approved	Voluntary
Amanda Clearcreek Community School	\$300,000	FY09	Financial viability	Voluntary
Arts Academy, The	\$450,000	FY11	Unable to find a new sponsor	Ordered
Arts and Science Academy	\$345,010	FY09	Unable to find a new facility	Voluntary
Arts and Science Preparatory Academy	\$398,316	FY14	Voluntary closure	Voluntary
Aspiring to Excellence and Achievement	\$40,000	FY10	Financial viability	Ordered
Auglaize County Educational Academy	\$60,194	FY09	Unable to find a new facility	Voluntary
Bridge Academy of Ohio	\$378,000	FY12	Ceased operations. Declining enrollment.	Voluntary
Canton Academy, The	\$450,000	FY08	Merged with/ converted to a traditional public	Voluntary
Canton Arts Academy	\$450,000	FY08	Merged with/ converted to a traditional public	Voluntary
Canton City Sch Digital Acdmy	\$150,000	FY08	Merged with/ converted to a traditional public	Voluntary
Canton Local Digital Academy	\$150,000			
Cardinal Digital Academy, Inc	\$150,000	FY08	Financial viability	Voluntary
Cardington Lincoln Local Digital Academy	\$150,000	FY14	Voluntary closure	Voluntary
Carter G. Woodson Institute	\$190,000	FY10	Financial viability	Ordered
Chase Academy for Communication Arts	\$150,000	FY10	Financial viability	Ordered
College Hill Leadership Academy	\$408,440	FY13	No longer met founding need	Voluntary
Columbus Academy of Literacy and Mathematics	\$225,000	FY11	Financial viability	Ordered
Constellation Schools: Mansfield Community Middle	\$550,000	FY14	Ceased operations	Voluntary
Dixon Early Learning Center Conversion Community School	\$450,000	FY12	No longer met founding need	Voluntary
East Canton Digital Acad, Inc	\$150,000	FY07	Financial viability	Voluntary
East Muskingum Academy	\$300,000	FY10	Financial viability	Voluntary
Education Alternatives Community School	\$450,000	FY09	Contract expired	Voluntary
Fairless Digital Academy	\$300,000	FY06	Merged with/ converted to a traditional public	Voluntary
Falcon Academy of Creative Arts	\$463,029	FY15	Contract non-renewed, unable to find a new sponsor	Voluntary
FCI Academy	\$450,000	FY15	Contractual non-compliance	Ordered
The Five R'S Academy	\$252,237	FY13	Contract expired	Voluntary
Gahanna Community School	\$410,818	FY13	Closed by sponsor	Voluntary
General Chappie James Leadership Academy	\$300,000	FY15	Financial viability	Voluntary
Golden Eagle Digital Academy	\$300,000	FY06	Financial viability	Voluntary
Graham Digital Academy	\$300,000	FY12	No longer met founding need	Voluntary
Granville T Woods Comm Shule	\$300,000	FY10	Financial viability	Ordered
Greater Cleveland Academy For Gifted Students	\$300,000	FY07	Financial viability	Voluntary
Harte Crossroads Academy - Columbus	\$350,000	FY06	Financial viability & other contractual non-compliance	Ordered
Harte Crossroads High School	\$350,000	FY06	Financial viability & other contractual non-compliance	Ordered
Hope Academy High School - Cleveland Campus	\$150,000	FY08	Contractual non-compliance	Ordered
Horizon Science Academy Cleveland Elementary School	\$650,000	FY14	Ceased operations	Voluntary
Horizon Science Academy Toledo Downtown	\$450,000	FY14	Ceased operations	Voluntary

*Continued on next page.*

Charter School	Total Federal Grant	Year Closed	Closure Reason	Closure Mechanism
International College Preparatory Academy	\$300,000	FY09	Financial viability	Voluntary
The ISUS Institute of Construction Technology	\$453,206	FY12	Financial viability	Voluntary
The ISUS Institute of Health Care	\$350,000	FY14	Contract expired	Voluntary
The ISUS Institute of Manufacturing	\$150,000	FY12	Financial viability	Voluntary
Kent Digital Academy	\$247,316	FY12	Financial viability	Voluntary
Knight Academy	\$650,000	FY14	Closed by governing authority - sponsor approved	Voluntary
L.E.A.D. Academy	\$192,052	FY13	No longer met founding need	Voluntary
L.E.A.R.N. Academy	\$151,557	FY13	No longer met founding need	Voluntary
Lion of Judah Academy	\$196,000	FY13	Closed by governing authority - sponsor approved	Voluntary
Little Eagle Kindergarten Pgm	\$300,000	FY06	Financial viability	Voluntary
Lorain Alternative Academy	\$150,000	FY09	Financial viability	Voluntary
Lorain Elementary Digital	\$300,000	FY08	Financial viability	Voluntary
Lorain Middle School Digital	\$300,000	FY09	Financial viability	Voluntary
Marysville Digital Academy	\$150,000	FY06	No longer met founding need	Voluntary
Minster Community School	\$150,000	FY06	Financial viability	Voluntary
New City School	\$435,000	FY10	Academic and financial viability	Ordered
New Vision Academy	\$150,000	FY06	Financial viability & other contractual non-compliance	Ordered
Notten School for Science, Technology, Engineering and Mathematics	\$207,000	FY11	Contract terminated	Ordered
P.A.C.E. High School	\$300,000	FY14	Ceased operations	Voluntary
Perry Panther Digital Academy	\$150,000	FY06	Financial viability	Voluntary
Perrysburg Digital Academy	\$150,000	FY09	No longer met founding need	Voluntary
Phoenix Village Academy Primary 1	\$450,000	FY11	Closed by sponsor	Voluntary
Plain Local Admy Of Tech, Inc	\$150,000	FY06	Financial viability	Voluntary
Pshtecin Public School	\$387,322	FY14	Contract expired	Voluntary
River Valley Digital Academy	\$300,000	FY13	Closed by sponsor - school was on suspension	Voluntary
Romig Road Community School	\$550,000	FY13	Closed by operation of law	Closure law
Scholarts Preparatory School	\$300,000	FY13	Financial viability	Ordered
School for Arts Integrated Learning - SAIL	\$329,330	FY10	No longer met founding need	Voluntary
Summit Academy Secondary School - Parma	\$300,000	FY07	Merged with another community school	Voluntary
Tech Con Institute	\$300,000	FY12	Academic/required by law	Closure law
Theodore Roosevelt Public Community School	\$435,192	FY15	Financial viability - good cause	Ordered
Tiffin City Digital Academy	\$300,000	FY10	No longer met founding need	Ordered
Upper Arlington Community High School	\$386,790	FY10	No longer met founding need	Voluntary
Upper Arlington International Baccalaureate High School	\$300,000	FY10	No longer met founding need	Voluntary
Upper Scioto Wind/Energy Academy	\$258,500	FY12	Financial viability	Voluntary
Urban Youth Academy, Inc.	\$315,000	FY08	Financial viability & other contractual non-compliance	Voluntary
V L T Academy	\$315,940	FY14	Financial viability	Ordered
Weems School	\$315,000	FY09	Financial viability & other contractual non-compliance	Ordered
Western Reserve Kindergarten Learning Academy	\$450,000	FY12	Lack of enrollment - lack of federal/state funding	Voluntary
Wickliffe Progressive Community School	\$533,898	FY12	No longer met founding need	Voluntary
Young Scholars Prep School	\$175,000	FY15	No longer met founding need	Voluntary
<b>Total Federal CSP Funding</b>	<b>\$25,467,698</b>			

**APPENDIX 2 – OHIO CHARTERS THAT NEVER OPENED AND RECEIVED FEDERAL GRANT FUNDING**

<b>School Name</b>	<b>City</b>	<b>Total Federal Grant</b>
Academy for Urban Solutions	Columbus	\$ 26,800
Buckeye Academy	Marion	\$150,000
Central Ohio Early College Academy	Powell	\$50,000
Cleveland Arts And Literature Academy	Worthington	\$150,000
Columbus Entrepreneurial Academy	Columbus	\$150,000
Legacy Preparatory Academy	Columbus	\$150,000
Medina City Schools Technology School	Medina	\$50,000
New Albany School For Performing Arts Lower School	New Albany	\$329,330
New Albany School For Performing Arts Middle School	New Albany	\$150,000
Phoenix Village Academy Secondary 2	Youngstown	\$150,000
Academy for Urban Solutions	Maple	\$150,000
Summit Academy Community School - Bucyrus	Akron	\$136,456
Summit Academy Community School - Groveport	Akron	\$134,835
Summit Academy Community School - Marion	Akron	\$150,000
Summit Academy Community School - Massillon	Akron	\$150,000
Summit Academy Community School - New Lexington	Akron	\$15,000
Summit Academy Secondary School - Cincinnati	Cincinnati	\$150,000
Summit Academy Secondary School - Columbus	Columbus	\$150,000
Technology And Arts Academy Of Cleveland	Columbus	\$150,000
Academy for Urban Solutions	Ashland	\$39,274
Vision Into Action Academy-South Columbus	Delaware	\$150,000
Winwin Academy	Columbus	\$50,000
Academy for Urban Solutions	Columbus	\$422,336
Cuyahoga Valley Academy	Ohio	\$31,680
Summit Academy Community School - Alliance	Alliance	\$150,000
Cleveland Lighthouse Charter Community School West	Cleveland	\$418,052
Rising Star Elementary School	Ohio	\$150,000
<b>Total CSP Award</b>		<b>\$3,953,764</b>

**APPENDIX 3 –CSP GRANT RECIPIENTS IDENTIFIED IN MAY 23, 2016 CHARTER SCHOOL ATTENDANCE**

<b>Charter Name</b>	<b>CSP Funding</b>	<b>% fewer kids auditor found than school claimed</b>	<b>AOS Count</b>	<b>ODE Count</b>
C.M. Grant Leadership Academy	\$416,837	23.4%	82	107
Columbus Arts & Technology Academy	\$300,000	8.4%	488	533
Entrepreneurship Preparatory School II	\$601,653	10.0%	262	291
Horizon Science Academy Dayton Downtown	\$450,000	8.1%	217	236
Klepinger Community School	\$846,848	17.4%	352	426
London Academy	\$150,000	96.3%	10	270
Midnimo Cross Cultural Community School	\$306,063	3.9%	99	103
Mount Healthy Preparatory and Fitness Academy	\$300,000	7.4%	274	296
Noble Academy-Columbus	\$550,000	11.1%	279	314
North Central Academy	\$443,659	8.6%	96	105
Richard Allen Academy III	\$225,000	6.0%	125	133
Springfield Preparatory and Fitness Academy	\$450,000	2.9%	169	174
Summit Academy Secondary - Akron	\$300,000	24.2%	50	66
Summit Academy Secondary School - Middletown	\$450,000	10.0%	81	90
Summit Academy Transition High School-Cincinnati	\$136,456	12.6%	76	87
Village Preparatory School	\$447,298	7.0%	410	441
Westside Academy	\$250,000	3.3%	203	210
<b>Totals</b>	<b>\$6,623,815</b>	<b>15.3%</b>	<b>3273</b>	<b>3882</b>

Source: [https://ohioauditor.gov/auditsearch/Reports/2016/Report\\_on\\_Community\\_School\\_Student\\_Attendance\\_Counts\\_Final\\_05232016.pdf](https://ohioauditor.gov/auditsearch/Reports/2016/Report_on_Community_School_Student_Attendance_Counts_Final_05232016.pdf)

## Imagine Schools

Ohio officials continue to tolerate exorbitant lease arrangements that Imagine-operated charters have with its subsidiary, SchoolHouse Finance. This failure to act has fostered a system that siphons money from classrooms to an out-of-state charter operator with a shameful academic record. One of the chain's worst-performing Ohio school, Romig Road in Akron, is among the charters that closed – but receive a portion of the federal grant.

Nearly all Imagine schools in Ohio fail in their basic mission to educate kids. Each received a D or F on the Performance Index of the most recent state report card. The now-closed Romig Road school received an F. **Despite Imagine's poor performance, Imagine and SchoolHouse Finance, collected at least \$14.4 million in public money in 2014 for their 17 Ohio schools**, according to records from the schools and state auditor. More than half — \$8.9 million – covered rent for long-term leases to SchoolHouse Finance. The \$5.5 million balance went to pay “indirect costs” to Imagine to provide certain management services.

Imagine recently lost federal lawsuits in Indiana and Missouri over the same type of abusive leases seen in Ohio. The first ruling came when a federal judge in Missouri ordered Imagine to pay \$1 million and called the lease arrangement “self-dealing.” U.S. District Court Judge Nanette K. Laughrey tossed out a companion the civil RICO claim, saying it is impossible to have a conspiracy with yourself. “Although there is evidence that Imagine Schools and SchoolHouse Finance filed legal documents subject to the rules of perjury that show a different ownership pattern, the Court concludes those filings were a product of gross negligence and shocking disregard for the law,” Laughrey wrote.

In 2014, board members for the Imagine Columbus Primary Academy unsuccessfully tried to re-negotiate its lease, insisting that the \$700,000 annual cost consumed too much of the school's \$1.3 million annual budget. Failure to lower the lease payments prompted school board members to resign. Imagine responded simply by appointing a new board. In Ohio, Missouri and Indiana, the leases were approved by boards recruited by Imagine, and board members said they did not know the relationship between Imagine and SchoolHouse Finance.

It marked the latest in a series of scandals for the school. Another Imagine School occupied the same building until it was closed after the 2012-13 school year for its dismal academic record. Poor-performing charter schools are not supposed to remain open if they don't improve, but the school's management company simply found a new sponsor and opened a new school in the same building. The school also had a new board and new principal. But a high-priced lease remained.

Dave Hansen, who headed the state's office of school choice and community schools for the Ohio Department of Education when the new school tried to lower the lease payment, served on the board of the predecessor school that was closed for its dismal record. Hansen pushed to have it shut down but has repeatedly refused to comment on the matter. He also refused to comment on the successor school's efforts to re-negotiate the lease.

## Horizon Science and Noble Academies

Concept Schools manages 19 charter schools in Ohio that operate under the names of Horizon Science Academy and Noble Academy. In exchange for management services, Concept is paid 12 percent of each school's state funding, state audit records show. Concept – a non-profit that was founded in Cleveland but is now based in Chicago -- is affiliated with the Turkish Muslim cleric Fethullah Gulen, who is living in exile in Pennsylvania.

Most top administrators in the Ohio schools are Turkish immigrants with ties to the Gulen movement. The Ohio Department of Education tracks background checks and lists credentials for school teachers, administrators and staff, but dozens of employees have no background checks listed with ODE. Moreover, the schools have hired questionable teachers and administrators such as a middle school principal who was denied a teaching license for leaving his infant in a car while he went shopping, a convicted felon to oversee student discipline and a Dean of Students who a federal judge said has “no educational certifications or experience.”

Once-secret government documents released by Wikileaks show that the U.S. State Department raised serious and repeated concerns about the Gulen-affiliated schools. Special attention was paid to the large number of Turkish nationals with questionable credentials seeking visas to teach at Gulen-aligned charters. One cable states that applicants “might be using the reputation of the school as a cover to get to the US.” Another noted there is “considerable debate” about whether Gulen followers pose “a threat to secular government.”

Concept Schools is the subject of an on-going FBI investigation. In 2014, agents raided its Chicago-based headquarters and 19 schools, including four in Ohio. The FBI has not disclosed the nature of the investigation, but search warrants and a subpoena show federal officials are interested in the flow of public money from the schools to businesses run or owned by Gulen followers. Agents sought a wide range of documents pertaining to Concept President Sedat Duman and to founder Taner Ertekin, who brought the charter chain to Ohio in the late 1990s. Also named in a search warrant is Ozgur Balsoy, former administrator of a Concept-run charter in Columbus and founder of Advanced Solutions in Education, a company that provides services to Horizon schools and is among the businesses the FBI has targeted.

One month after the FBI raids, a panel of teachers who formerly worked for the Horizon Science Academy of Dayton told the State Board of Education that they personally witnessed testing irregularities, teachers using racial slurs, an in-class groping game and an administrator who failed to tell parents that security cameras recorded their 6th and 8th grade students engaging in oral sex at a school function.

The Board's initial reaction was to report the whistleblowing teachers to Children's Services and the local prosecutor but backed off amid a torrent of criticism from the public. The school board eventually launched an investigation but determined the information provided by the teachers was too vague and old. Investigators, however, ignored newer, more detailed information unearthed after the panel's testimony. The Dayton Daily News, for example, quoted a student by name who said the school paid him cash and pizza to answer questions peers left blank on standardized tests. A new memo surfaced from the school's own Dean of Students that complained of “condoms in the hallways” and students having sex in the in-school suspension lab.

Matthew Blair, one of the teachers who testified before the state school board, said his testimony marked his third attempt to tell state officials about the problems at the school. The first times, they ignored him. Only after a national education blog published Blair’s concerns in 2013 did he get ODE’s attention. Instead of launching a proper investigation, ODE put in place a cover-up. Instead of launching a proper investigation, ODE directed the school’s sponsor, in an email, to look into the allegations but said to “keep your responses brief and positive.” The responses were positive.

The Concept chain places a strong emphasis on aggressive public relations. It trains school officials how to court politicians and community leaders and how to trumpet the school’s achievements. In Ohio, Concept often boasts that high schools in Columbus and Cleveland have been designated Blue Ribbon Schools, an honor the US Department of Education gives to schools with stellar academic achievement. Despite those honors, the schools have inconsistent academic records, receiving high marks one year then failing grades the next. All of Concept’s Ohio high schools have a poor record of graduating their students.

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<sup>i</sup> (O&#39;Donnell, Ohio wins \$71 million charter school expansion grant, drawing pride and distrust, 2015)

<sup>ii</sup> (O&#39;Donnell, Ohio wins \$71 million charter school expansion grant, drawing pride and distrust, 2015)

<sup>iii</sup> (Ryan, 2015)

<sup>iv</sup> (O&#39;Donnell, Ohio has some explaining to do before receiving \$71 million in federal charter school grants, 2015)

<sup>v</sup> (U.S. Department of Education, 2016)

<sup>vi</sup> (U.S. Department of Education, 2016)

<sup>vii</sup> (Reobertson, 2015)

<sup>viii</sup> (WikiLeaks, 2012)

<sup>ix</sup> (Schmaltz, 2013)

<sup>x</sup> (O&#39;Donnell, Charges of cheating and sexual harassment of students spark investigation of the Horizon Science Academy network, 2014)

<sup>xi</sup> (Jindra, 2008)

<sup>xii</sup> (Dyer, 2016)

<sup>xiii</sup> (Ohio Department of Education, 2016)

<sup>xiv</sup> (Hunt, 2015)

<sup>xv</sup> (Matera, 2016)

<sup>xvi</sup> (Good Jobs First, 2016)

<sup>xvii</sup> (WestEd, 2009)

<sup>xviii</sup> (WestEd, 2007)

<sup>xix</sup> (WestEd, 2009)

<sup>xx</sup> (WestEd, 2009)

<sup>xxi</sup> (WestEd, 2009)

<sup>xxii</sup> (WestEd, 2009)

<sup>xxiii</sup> (WestEd, 2009)

<sup>xxiv</sup> (WestEd, 2009)

<sup>xxv</sup> (Ohio Legislative Service Commission, 2015)

<sup>xxvi</sup> (DeMaria, 2007)

<sup>xxvii</sup> (Candisky B. B., 2015)

<sup>xxviii</sup> (Candisky, 2016)

<sup>xxix</sup> (Meeley, 2016)

<sup>xxx</sup> (Brian Gill, 2015)

<sup>xxxi</sup> (Rotherham, 2014)

<sup>xxxii</sup> (Center for Research on Educational Outcomes, 2014)

<sup>xxxiii</sup> (O&#39;Donnell, State&#39;s top school choice official resigns after illegal e-school omission, 2015)

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