

Testimony on Education Provisions of House Bill 64, FY 16-17 Biennial Budget

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Senator Cliff Hite, Chair
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Chairman Hite, Vice Chair Sawyer and members of the Senate Finance Subcommittee on Education, thank you for the opportunity to speak to you today regarding the school choice provisions in the as introduced version of House Bill 64. My name is David Hansen, and I am the executive director of the Office of Quality School Choice at the Ohio Department of Education.

The Office of Quality School Choice serves parents and students by growing and improving their access to effective educational opportunities provided by public community schools and private schools. The office is taking an increased role in implementing new community school oversight laws, particularly in dealing with community school sponsors. We serve families with the state's four voucher scholarship programs, which are all growing at a steady pace, and we oversee state requirements of private schools and centers providing services to our scholarship families.

Quality Sponsorship

Community schools, often called charter schools in other states, are public nonprofit, nonsectarian schools that operate under a contract with an authorized sponsor. Each community school has an independent governing board. A community school governing board has the option to hire an operator to manage the day-to-day operations of the school. Community schools are public schools of choice and are state and federally funded. Any student who is eligible to attend a public school in Ohio is eligible to attend a community school.

Governor Kasich and Superintendent Ross support quality community schools, vouchers and school choice. Community schools succeed when they provide effective educational options for our boys and girls, are held accountable for the public trust invested in them and have autonomy from the regulatory structure that governs traditional public schools. It is the job of each community school sponsor to provide the necessary oversight required to ensure that all community schools in the state are providing a quality education to students.

It is the job of a sponsor to open schools, oversee schools and, if needed, close schools. When a sponsor fails to do its job, the entire charter sector suffers. For example, when a new community school fails to keep its doors open past the first few weeks of school, it is the sponsor who failed to properly vet the school's financial capacity and operational design. When a community school with a persistently failing academic record has its contract with its sponsor renewed, it is the sponsor that lacked the will to close the school.

But Ohio's sponsors have never been held truly accountable by the state for the quality of their work. Further, there has been little incentive for sponsors to pursue quality and effectively, there are no consequences or disincentives for falling down on the job of holding schools accountable for their performances.

In the past several years, lawmakers have correctly diagnosed the problem of poor sponsors as the source of charter issues. The General Assembly has responded incrementally, first in 2011 by passing House Bill 153, which put into place mild disincentives for opening poor community schools.

House Bill 555 followed in 2012. With this important measure, the General Assembly established a new sponsor evaluation system, creating a framework for holding many sponsors rigorously accountable for their work. This sponsor evaluation law only became fully effective on Jan. 1 of this year. However, the department began to implement House Bill 555's fundamental concepts in February of last year.

To start, the department began to scrutinize sponsors' actions in detail in the areas of new community school approval and renewal. The department used the evaluation criteria developed by the department in collaboration with stakeholders and national quality charter practitioners.

In the past year, the department prevented sponsors whose sponsoring practices were significantly deficient from granting charters to new community schools. Twenty-one community schools were closed by sponsors and governing boards over the summer. And far fewer new community schools were launched this school year. To put things in perspective, during the 2013-2014 school year, 55 new community schools opened, 15 of which failed and closed mid-year. This current school year, sponsors only chartered 11 new community schools, all of which have been successful to date.

The early results show that House Bill 555 was a strong step in the right direction and charter stakeholders are finding that the state is now a supportive partner in their own pursuits of quality community schools through rigorous accountability. But there is room for improvement, and the governor's proposed community school reforms will strengthen the state's charter sector.

The executive budget proposes a four-part solution to creating an oversight system for community school sponsors that will align oversight with performance incentives to produce the quality we want from the charter sector. Part one requires all community school sponsors to be subject to department of education approval.

Currently, only 17 of the state's 65 active sponsors are subject to department approval. The department has created a new, rigorous application and approval process meant to ensure that each and every sponsor has the capacity, expertise and commitment to be successful.

Part two of the solution requires each approved sponsor to be subject to a sponsorship agreement with the department. This contract will set the terms of what we expect to see from each sponsor's performance and will govern each sponsor's scope and authority to sponsor community schools.

Each sponsor's scope and authority to sponsor schools will be tied to the rating received as part of the sponsor evaluation system created in House Bill 555. Part three of the sponsor accountability solution proposed in this budget is the creation of a steeply sloped curve of incentives and consequences for sponsors based on quality. This constitutes the third part of the sponsor accountability solution. The department piloted the sponsor evaluation system with six sponsors over the past 18 months, and moving forward, we are preparing to evaluate approximately 12 sponsors each year.

The sponsor evaluation system includes three components: (1) compliance with rule and law; (2) academic performance; and (3) review of quality practices. The quality practices review examines in detail all phases of a sponsor's work, including: application; performance contracting; ongoing oversight; renewal, revocation and closure; technical assistance; and agency commitment. For every sponsor performance review, the department engages an out-of-state expert through the National Association of Charter School Authorizers to join the state team in conducting the extensive evaluation.

Every sponsor will be evaluated and will receive one of the following four ratings: (1) exemplary; (2) effective; (3) ineffective; or (4) poor. A sponsor rated poor will have its authority to sponsor community schools completely revoked and the existing schools it sponsors will be required to find new sponsors.

A sponsor rated ineffective will be placed on a one-year corrective action plan and will not be permitted to sponsor any additional community schools in that year. The department expects to work with a sponsor rated ineffective to develop quality practices, but the sponsor will have to exhibit commitment and provide the resources necessary to reach an evaluation of effective at the end of the one-year period to continue authorizing.

A sponsor rated effective will be considered in good standing. Finally, a sponsor rated exemplary will be rewarded with flexibility and access to additional community school development opportunities. For example, it will only be the schools overseen by an exemplary sponsor that will be eligible for the budget's proposed classroom facilities grant program.

The fourth and final component of the accountability solution will be to engage sponsors in ongoing, long-term development efforts. This will require a commitment of mission and the willingness to expend the resources necessary to become a quality sponsor. Continuous improvement will be expected of every sponsor and required of those rated ineffective. Stronger oversight, paired with incentives for exemplary sponsors and exiting poor sponsors from the sponsorship business, will support the creation and continuation of innovative, high-quality community schools.

Ohio Department of Education Office of School Sponsorship

The as introduced version of the budget also would give the department's Office of School Sponsorship the ability to strengthen its own sponsor application process. Right now, a community school can apply to the department for sponsorship and has to meet a very low bar to be approved. The Ohio Department of Education is not interested in being a sponsor of last resort. A law requiring the department to sponsor a school that meets a low bar undermines the administration's entire effort to improve the charter sector and provide quality choice options for all students. The budget proposal will provide the department the authority it needs to approve or deny charter applications based on quality

criteria. All sponsors, including the department of education, should demand quality from all the community schools they sponsor.

Community School Reforms

The governor also proposes changes to current law that will strengthen a community school governing board's autonomy and create more transparency. For example, a sponsor will be prohibited from selling services to a community school it sponsors. Also, a current law that prohibits a community school operator from appealing a school's decision to terminate its contract to the school's sponsor will be repealed. Current law provides a way for an operator to replace the community school's governing board if it disagrees with the board's decision to terminate services with them. This is not good policy. The budget proposal also would require community school governing boards to hire fiscal officers and, if they so choose, attorneys, accountants and audit firms that are independent of a school's contracted operator.

Community School Access to Local Revenue and Facilities Funding

As I previously mentioned, community school sponsors who are rated exemplary will be rewarded for their quality efforts and so will the schools they sponsor. A growing trend across the country is for communities to embrace quality charter education as a partner in providing students opportunities for an effective education. The Cleveland Plan is an example of this trend. The budget proposes to allow communities across the state to support their community schools with local property tax dollars, if approved by local school boards and voters. To help local communities find quality charters as partners, the budget proposes that only schools overseen by exemplary sponsors will be eligible to pursue local levy dollars.

Community schools are public schools and the families and students that choose charter education deserve more access to suitable classroom facilities. Community schools overseen by exemplary sponsors will have access to a new \$25 million community school classroom facilities grant program to be administered by the Ohio School Facilities Commission. The commission will work in partnership with Dr. Ross to establish guidelines for the administration and distribution of the grants to eligible community schools that demonstrate that the funds will be used to purchase or support classroom facilities construction or modifications that increase the supply of seats in effective schools, serve specific unmet student needs through community school education, and show innovation in design and potential as a successful, replicable school model.

In addition to the community school classroom facilities grant program, there is an increase to the current per pupil facilities funding for STEM and community schools. The per pupil amount will be increased from \$100 to \$200 (lottery profits education fund line item 200684). The budget also includes the appropriation of state matching funds for a federal community schools facilities grant called the State Charter School Facilities Incentive Grants program. The department has submitted a proposal to the U.S. Department of Education for this program that requires a match of new state spending of 10 percent in the first year and 20 percent in year two of the grant. This federal grant would be restricted to community schools and districts identified for improvement or intervention through the state's *Elementary and Secondary Education Act* waiver.

I shared with you today the high priority the administration has placed on community school reform. The House removed from the executive budget the majority of provisions in this critical area. There are currently two community school bills, SB 148 and HB 2, before the Senate Finance Subcommittee on Education for consideration. We look forward to continuing to work with the General Assembly to

ensure the necessary changes to Ohio's community school law are made to provide quality options to families and students.

Ohio's Scholarship Programs

Ohio's scholarship programs have been helping students from underperforming public schools attend private schools for almost two decades. The budget proposes an increase in the amount of an EdChoice scholarship for eligible high school students. The maximum amount of a scholarship that may be awarded to a high school student is raised from \$5,000 to \$5,700. The budget also appropriates funding in both years of the biennium for the expansion of the EdChoice program to economically disadvantaged students in second and third grades (GRF line item 200573). The administration's funding of the EdChoice Scholarship program provides more access to quality choice options by increasing the supply of quality seats for students.

The budget proposes for the Cleveland Scholarship increased set-aside amounts (GRF line item 200550) to meet the continued growth in demand for this school choice opportunity. Legislation passed last year expanded the list of eligible schools that Cleveland Scholarship students can attend. This is leading to further growth in scholarship use.

Finally, in order to successfully implement all of the initiatives discussed today, including effective oversight, sponsor evaluations and continued development of quality schools of choice here in Ohio, the executive budget recommends an increase of \$1.2 million to approximately \$3.7 million in each year of the biennium to fund the Office of Quality School Choice (GRF line item 200455).

Chairman Hite, this concludes my testimony. Thank you again for the opportunity to discuss these important school choice initiatives with you today. I am happy to answer any questions you might have.