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# POLICY MATTERS OHIO

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Read the report at: [www.policymattersohio.org/AuthorizedAbuse.htm](http://www.policymattersohio.org/AuthorizedAbuse.htm)

## **Ohio charter managers, sponsors fall short of national governance standards Study documents abuse, shows how state law undermines school board rule**

Because of weak state law and ineffective oversight, charter school management organizations in Ohio have upended established governance standards and, in some cases, violated or skirted the law, according to a new report by Policy Matters Ohio.

“Until Ohio overhauls charter school law, and creates an effective oversight system, the abuses we’ve documented in this report will not be resolved,” said Piet van Lier, Policy Matters researcher and report author. “In addition to violations of state law, we have found clear evidence that management organizations are in control, rather than the charter school boards that are legally responsible for the schools.”

Abuses and areas of concern documented in this report include:

- A charter school chain has violated state law that limits individuals to service on two school boards and prohibits the relatives of management company owners or employees from serving on charter boards; the same schools are part of a “vertically integrated” system, in which the same individual has served in a variety of capacities, including founder, CEO and president, for the sponsor, two management organizations and the schools themselves;
- The heavy hand of management organizations in running schools is evidenced by numerous instances of identical boards for different schools meeting at the same time. This includes Parma-based Constellation Schools, a 16-school chain which has employees of the charters it runs sitting on school boards at company-wide, simultaneous board meetings presided over by Constellation’s president. Five of six board members of a Lorain school operated by Mosaica Education are Colorado residents, and three of them are three board members of a Mosaica-run school in Colorado Springs;
- Management organizations control the vast majority of school revenues, which often flow straight into company accounts; some exercise this control indirectly by hiring and firing staff employed and paid by schools. Charters run by the Leona Group lease staff from an Ohio-based company set up by Leona’s founder and CEO;
- Many contracts include “poison pills” that require schools to make termination payments to management organizations if they decide to break or not renew management agreements. These provisions make it nearly impossible for charter boards to break from companies they ostensibly hire;
- One-size-fits-all agreements signed by schools run by individual management organizations show that schools have little or no power to negotiate contracts fitting their needs and that managers are calling the shots in Ohio.

We have based our review on six criteria laid out by charter advocate Greg Richmond, CEO and president of the National Association of Charter School Authorizers, in a July 2010 Education Week commentary. These standards outline the importance of board independence, and the need for clear contracts that leave boards, not management organizations, in control. Charter school sponsors, as authorizers are called in Ohio, should not approve charter proposals that do not meet these criteria, Richmond asserted in his commentary.

This report is based on a review of management agreements signed by charter schools, state audits, school websites, board lists and other documents from schools and management organizations.

Based on our research, Policy Matters makes the following recommendations:

- Legislators must overhaul charter school law based on accepted governance practices and standards, such as those outlined by Richmond.
- A new, more effective, system of charter school oversight must be put in place;
- Sponsors must work to prevent abuses at schools they currently oversee, and more actively police the relationships between schools and management;
- Increased financial transparency of the charter sector must be among the primary goals of reform efforts;
- The Ohio Department of Education and other state agencies should investigate the violations of the law, and efforts to sidestep it, documented in this report.

Specific recommendations accompany our individual findings throughout the report. Both our findings and our recommendations can help guide reform efforts.

Without efforts to change Ohio law and charter practices, charter school boards will not be able to exercise their legal mandate to govern schools. Strong, careful oversight of the relationship between school board and management organization is essential.