

**Five years after the ECOT charter school was forced to close due to gross fraud and corruption, the ECOT Man, Bill Lager, has not repaid one cent and is still running free.**

The state has been trying to collect over one hundred million dollars from the ECOT Man for several years. The state was able to document that he stole \$60 million in one year. But that is only one chapter in the ECOT book. The first year of operation, the Ohio Department of Education forced ECOT to pay back funds received based on overstatements of enrollment and attendance.

Lager, due to millions in campaign contributions, was a very politically powerful individual; no doubt the Department of Education (ODE) personnel attempted to accommodate his demands. Court records indicate that ODE finally signed an agreement that permitted ECOT to be paid for whatever enrollment data he submitted. However, after a dozen or so years, ODE performed an audit and found that Lager was cooking the books. No doubt over the years, Lager received a half billion dollars for students that were not being served.

How could the state allow this fraud to go on year after year, and why is Lager not paying stolen funds back to the state?

A September 2, 2018 Columbus dispatch article by the late Jim Siegel might shed light on these questions.

**4 candidates tied to ECOT saga**

**Jim Siegel**

jsiegel@dispatch.com

Ohio Democrats have unleashed relentless attacks on Republican officeholders for the handling of ECOT, where a big GOP donor got rich, a large, poorly performing online school closed mid-year and taxpayers were left at least \$62 million short.

"It's the largest scandal in the state's history," said state Democratic Chairman David Pepper.

Republicans defend their actions in what has become a critical campaign issue this election year. But critics say that, for years, they acted too much like enablers of a charter school that took \$1 billion in state funds and had more dropouts than graduates.

About \$200 million was paid to two private companies owned by school founder Bill Lager, who also made \$2.5 million in political donations — 92 percent of it to Republicans.

Now, the Electronic Classroom of Tomorrow is gone, auctioned off in pieces after being shut down following state enrollment reviews starting in 2016 that discovered ECOT got full funding for students who rarely logged into virtual classrooms. The school was ordered to repay \$80 million.

Today, Lager is facing potential criminal charges, both from questions by the FBI and a referral by Auditor Dave Yost, and is being sued by Attorney General Mike DeWine to recover tens of millions in state funds.

But Democrats have stressed that ECOT's problems did not start just two years ago.

"The person who basically became a millionaire through this scam was a major donor ... and I do believe he got treated very well for a very long time because he was kind of in the club," said Pepper.

The Dispatch examines the role that four statewide GOP candidates played in the ECOT saga and whether the rhetoric reflects reality, or is more a distortion of credit and blame.

**Jon Husted: secretary of state, lieutenant governor candidate, former House speaker and 10-year lawmaker**

Under charter school laws written by majority Republicans, Lager started software and management companies to do business with — and profit from — his new school. He stacked his ECOT board with friendly faces.

The arrangement quickly raised red flags. Three ECOT board members and three top administrators quit in late 2000 and 2001, some remarking that the school was in trouble and the agreement with Lager's Altair Management was "terrible."

Before he departed, Lager's then-partner, Kim Hardy, urged lawmakers to look into the deal. Husted joined the Ohio House in 2001.

Then-Auditor Jim Petro found in 2002 that the school had been overpaid \$1.7 million. Concerns were raised about potential abuse stemming from the close relationship between charter school boards and their management companies.

But instead of stricter regulations, ECOT signed a funding agreement with the state Department of Education in January 2003 that, for more than a decade, effectively limited enrollment reviews. Teachers simply signed forms that students were "offered" instruction, and that brought the school hundreds of millions of dollars.

Husted, the House speaker from 2005 to 2008, authored a major rewrite of Ohio's charter school law in late 2002. It made a number of changes but did little to impact ECOT's operation.

The Department of Education tried to persuade lawmakers to put online charter school regulations into the bill. Steve Burigana, former head of the Department of Education's Office of Community Schools, said ECOT officials balked, so GOP leaders declined to include them.

Husted opposed a Senate amendment that would have reduced funding for e-schools when households had multiple students and would have required teachers to hold face-to-face meetings with students.

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Meanwhile, Republican lawmakers imposed a moratorium on new e-schools from 2005 to 2013, giving ECOT no new competition.

The state Board of Education did develop e-school standards in the 2004-05 school year, calling on schools to document online time and "confirm its delivery of sufficient learning opportunities consistent with the amount of funds received per state law."

The legislature did not ratify the new standards.

In 2005, Husted led the effort to shut down the Legislative Office of Education Oversight, which focused on education policy analysis. The move came not long after its study of online school spending. It also had issued some critical charter school reports.

Husted spoke at the 2007 ECOT graduation and got an honorary diploma.

"Without Speaker Jon Husted ... the ECOT revolution in e-learning in Ohio may have ended," Lager told the audience.

Asked recently whether he had any regrets about how he handled ECOT, Husted said: "Honestly, there's probably not anybody in the whole state who was more upset about that than me, when I saw what Bill Lager did."

Husted has declined to give up the \$36,000 he received from ECOT.

**Keith Faber: state representative, state auditor candidate, former Senate president, 15-year lawmaker**

Faber, a Republican from Celina, joined the legislature in 2001 and later moved to the Senate and served as president from 2013 to 2016. He got \$36,500 in ECOT-related contributions, which he recently donated to charity.

"I was a big supporter of ECOT and I was a big supporter of school choice," Faber told The Dispatch. "The details of how ECOT was run were not something that came before us in the legislature ... until we found out there were questions to be asked."

However, signs did exist that online charter schools — and ECOT in particular — were having serious problems before 2016.

The Dispatch reported in 2006 that ECOT was claiming 100 percent attendance despite expelling 1,946 students for chronic truancy.

That same year, Newark City Schools Superintendent Keith Richards said that ECOT "students can go in once every 20 days, log on, do nothing and then go away for another 20 days." State reviewers found a similar pattern a decade later.

In the 2015-16 school year, 1 in 6 high school dropouts in Ohio were from ECOT, and more ECOT students dropped out or failed to finish high school within four years than at any other school in the nation. ECOT's five-year graduation rate of 44 percent was about half the state average.

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Faber drew criticism from his 2018 opponent for state auditor, Democrat Zack Space, and others when he issued a statement in May following Yost's critical ECOT audit.

"Thanks to the strong charter school reforms put in place while I was Senate president, and the diligent work of Auditor Yost and his staff, ECOT was caught and is out of business," Faber said.

Faber was referring to House Bill 2, a charter school reform bill that included a provision requiring e-schools to "keep an accurate record of each individual student's participation in learning opportunities each day." But by the time that bill became law in February 2016, the Department of Education already was on its way to doing a more thorough examination of ECOT's enrollment.

The bill didn't hurt — in fact, in the lawsuit that ECOT filed to stop the state from using log-in data as a basis for funding, Doug Cole, the special counsel representing the state, used House Bill 2 as part of his argument to force the school to turn over log-in data.

But some question whether Faber really wanted a deeper look at ECOT's operation.

In February 2016, three weeks after House Bill 2 became law, sources say Faber supported an ECOT-backed amendment that would delay new e-school attendance-tracking requirements and change the basis for e-school funding to whether instruction is merely offered to each student. The proposal didn't pass.

On Feb. 18, 2016, Liz Connelly, Faber's deputy chief of staff, organized a meeting with top legislative staff members, governor's staff members, Department of Education officials, and representatives of ECOT and other e-schools.

The goal: Persuade the department to delay the more rigorous e-school enrollment reviews for a year.

Those in the meeting thought there was an agreement to delay and instead study the issue. But the next day, Aaron Rausch, the department's director of the Office of Budget and School Funding, said the attendance reviews would move forward.

In April 2016, Sen. Joe Schiavoni, D-Boardman, proposed a bill that would increase e-school student participation reporting, and mandate state and parent notification if a student failed to log in for 10 straight days.

Rather than put the bill in the Education Committee, where the chairwoman, Sen. Peggy Lehner, R-Kettering, was open to some of the ideas, Faber assigned it to the Finance Committee, where it died after a few hearings.

"He didn't want to put it in Education because the light would have been too bright on it," Schiavoni said.

As he was driving home that evening, Schiavoni said he stopped at a convenience store in Ashland, and Faber happened to stop at the same time.

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"I went right up to him and started screaming at him, asking him why it was in Finance," Schiavoni said. "He said it had to do with state dollars."

Schiavoni didn't buy it. "If Faber is trying to portray himself as the champion of electronic charter school accountability and transparency, that's a joke."

This past June, shortly before the House planned to break for the summer, Faber jointly sponsored an e-school regulation bill "to ensure that students of e-schools are receiving the quality education that the 21st century economy requires."

It included a handful of proposals by Yost, such as requiring the Department of Education to better define e-school terms, plus a study of e-school performance-based funding. Those ideas were amended into other bills and passed.

E-school bills moved to Gov. John Kasich's desk this summer, including a provision, based on a Yost proposal, requiring them to withdraw students for 72 consecutive unexcused hours instead of 105 hours.

These days, Faber says ECOT was properly shut down.

"I've always said that if you're in the business of trying to provide service for people and you don't do what you said you were going to do, you ought to be put out of business," he said.

### **Mike DeWine: attorney general, candidate for governor**

Talking in May about holding ECOT accountable, DeWine campaign spokesman Joshua Eck made a debatable claim to the Wheeling, W.Va., Intelligencer: "Mike DeWine is the only elected official who has made real progress in this case."

Asked to clarify, DeWine's office emphasized that he had hired the special counsel in the ECOT lawsuit that was trying to block the state from using log-in data as a basis for funding.

To be clear, as attorney general, DeWine is required to provide representation for the Department of Education.

That said, DeWine is praised by some observers for hiring Doug Cole, a former state solicitor, as special counsel. Cole, who has argued about 20 cases before the Ohio Supreme Court, proved to be a skilled litigator who knew the value of highlighting that ECOT wanted full state funding for students even if they rarely logged in.

But Democrats say DeWine, who recently donated \$12,533 in Lager contributions to charity, shares responsibility for allowing ECOT to continue operating the way it did for so long.

As part of his recent lawsuit that seeks to recover tens of millions from Lager and other top ECOT officials, DeWine says Lager violated the Ohio Corrupt Practices Act by acting as an agent of ECOT while also signing contracts between the school and Lager's two companies.

"We have been very aggressive on this and we have moved when we legally could move," DeWine said.

But ECOT's structural setup has been largely unchanged since 2000. If it's illegal now for Lager to funnel taxpayer money to his companies — a court ultimately will decide that — it raises the question of why that problem wasn't dealt with years ago.

DeWine's office pointed to a March ruling involving a closed Cincinnati charter school as giving it legal precedent to go after Lager. Democrats have called that a weak argument because ECOT could have been used to set the precedent.

"There is no reason he couldn't have done this much earlier," said Steve Dettelbach, a former U.S. attorney and Democratic nominee for attorney general.

DeWine, he said, could have tried to work with local prosecutors, start up a task force or engage the office's Organized Crime Investigations Commission.

"The notion that they're trying to convince us that the best we can do is get some of the money back that was stolen is just crazy," Dettelbach said. "When people steal money, they are supposed to go to jail."

Count Chad Aldis among those who wish action had been taken sooner to address ECOT.

But the vice president for Ohio policy for the Fordham Institute, a school-choice advocate and charter sponsor, said everything changed after the Department of Education probed the school's attendance in 2016.

"Anyone can make the claim that folks should have acted sooner," Aldis said. "But I think it's easy to see that after we've had all this litigation and the wrongdoing is laid bare, it's harder to do that in real time."

If ECOT's legal problems were so obvious, Aldis said, former Democratic attorneys general Marc Dann or Richard Cordray, who each held the office for two years from 2007 to 2010, would have taken action.

#### **Dave Yost: state auditor, candidate for attorney general**

In June 2017, Yost issued a cease-and-desist letter to ECOT, demanding that the school stop spending taxpayer money on political television ads aimed at swaying public opinion and attacking the Department of Education.

Eleven months later, Yost issued a finding for recovery against ECOT and exposed the school's scheme to hide the source of nearly \$250,000 worth of TV ads by using a media production company run by Lager's daughter.

Yost released a full audit of ECOT, saying the school "submitted information to (the department) in order to get paid that it knew to be false."

He referred the matter to the U.S. attorney's office and Franklin County prosecutor for possible criminal charges.

