Failing Students Spell Profit for Some Schools

By Joel Rubin and Nancy Cleeland
Times Staff Writers

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In failure, there is opportunity. And in California's high schools, there is no shortage of failure.

Each year, tens of thousands of students drop out. Most still yearn for diplomas.

That's where the opportunity comes for entrepreneurs like John and Joan Hall, former teachers from Hollywood who have built a lucrative but controversial chain of schools for dropouts.

In the Halls' two charter school operations — the nonprofit Options for Youth and the for-profit Opportunities for Learning — students work independently, completing assignments at home and typically meeting with a teacher just two hours a week.

The state's dropout crisis has given rise to many schools like theirs, publicly funded programs offering alternate routes to graduation. Some are operated by school districts, others by private companies using state funds. The Halls' enterprise, the largest chain of independent study schools in the state, employed about 300 teachers and, according to the state Department of Education, received at least $39.5 million in public funds last school year.

Independent study is popular with California students: More than a quarter of all charter schools in the state aren't classroom-based. But the idea that teenagers who have failed in traditional schools will do better studying subjects like algebra on their own remains largely unproved.

"If these are at-risk kids, they should be receiving the best education possible. Ironically, these schools operate with some of the most lax oversight over how they are teaching students and how resources are being used," said Luis Huerta, a Columbia University professor who has studied such programs, including the Halls'. "While their intents may be noble, this is still an operation that is funded by taxpayers."

By one measure at least, the Halls' results have been dismal: Very few of the students who enter their programs complete enough classes to earn high school diplomas.

Only 11% of the students who left Options and Opportunities during the 2003-04 school year graduated, according to the schools' records. Nearly all of the rest dropped out, were expelled or transferred to other schools.

John Hall says that graduation isn't the way to measure success and that his schools' primary aim is to get students caught up on academic credits so they can earn diplomas elsewhere. But no one checks on how students fare after they transfer out of the programs — or on whether they actually enroll elsewhere.

Still, Hall and his supporters say that the Options and Opportunities charters provide an
important second chance for struggling students.

"If the public schools can't do it for whatever reason, then let somebody else serve that child," said Ted Kimbrough, a former schools chief in Compton and one of 11 retired school district superintendents who serve on an advisory board for the charters.

The Halls have no problem filling their 51 learning centers, operated under charters with eight school districts around California, including Burbank, Baldwin Park and San Gabriel.

Some 20,000 students enrolled for at least part of the last school year, school officials said. Waiting lists are common, but turnover is high, with students staying an average of about six months.

Serving failed students has paid the Halls well.

Each collected $321,000 in salary in the 2003-04 school year, according to documents the Halls provided to the state Department of Education. Los Angeles schools Supt. Roy Romer, who oversees a 727,000-student district, made $250,000 that year.

State records show that in the same year, at least $4.6 million of the money the Halls' schools received went to three for-profit companies owned by the couple. The businesses provided the schools with management, technology and special education services. The Halls have refused to disclose to the state how much profit they receive from their business enterprises.

In the early years, at least, the schools received significantly more state funding than they spent. Records show that during the 2001-02 school year, the nonprofit Options schools transferred more than $10 million in reserves built from public money to a fledgling charity operated by the Halls' 27-year-old daughter, Jamie.

After a long-running dispute with the Halls about how much funding the schools should receive and how much information they should have to disclose, State Supt. of Public Instruction Jack O'Connell called last year for a far-reaching audit of Options and Opportunities.

Auditors are scrutinizing how the programs account for such things as student attendance and teacher workload and are looking at potential conflicts of interests within the Halls' web of businesses.

"We will not allow profiteering to occur at the expense of our students' education," O'Connell said.

The Halls say they've used state funds appropriately and point out that under charter law, they are entitled to earn a profit.

"If we're going to change public education, we need to have for-profit companies get involved," John Hall, 62, said in an interview in his La Cañada Flintridge office. "I started this because I think it is a good thing for public education."
A Fast Pace

At the center of the Halls' operations are students like Blanca Garibay.

An average pupil at Birmingham High, Blanca was determined to earn a diploma. But an unplanned pregnancy in her sophomore year interrupted her studies. She transferred to a district school for pregnant teenagers and later dropped out. Then she enrolled in the Halls' program, as did at least 70 other students from her former class at Birmingham.

Blanca's classroom is now the tidy Van Nuys apartment she shares with her mother and 2-year-old Andy. She juggles her studies with child-rearing and a job as a department store clerk.

One afternoon, the 18-year-old sat in the living room with a textbook on her lap, a Spanish-language soap opera blaring on the television and Andy scrambling across the couch. She was having no luck with the algebra she needed to finish before a 6 p.m. appointment with her teacher.

Confused and frustrated, she flipped back and forth through the book, looking for sample problems that could unlock the puzzle. Her son rolled a toy truck over her feet.

In the end, she gave up. Handing her toddler off to her mother, she headed for the strip mall on Van Nuys Boulevard where an Options learning center operates 11 hours a day under a charter from the Burbank school district.

Inside the brightly lighted room, under signs that shouted "Be Independent Achievers!" and "Be Responsible!," Blanca slipped into a seat at a table where two students worked quietly.

Their teacher, Vanessa Martinez, asked if she had finished her math.

Blanca shook her head. "I need some help."

But as Martinez flipped through the book, trying to explain the concepts, the teacher grew flustered. "I'm basically remembering things I learned 10 years ago," she said later. "I'm learning with [the students] as we go along."

Her background is in government and history, but Martinez has led Blanca through many subjects, including economics, literature and drawing.

Martinez, 27, who started at Options in August 2004 and left the program last month, is typical of the teaching staff: enthusiastic but inexperienced.

James Catterall, a UCLA professor hired by the Halls to evaluate their schools, found that many of the teachers held emergency credentials — between 30% and 87% at most of the charters in 2003-04. These permits, granted by the state, allow people with no training as teachers to work while studying for their credentials. By comparison, 6% of Los Angeles Unified teachers had emergency permits that year.

Teachers play many roles at Options and Opportunities schools. They are counselors, attendance officers and even bookkeepers, keeping track of students' work.
Nearly all teachers said they interacted with students for 30 minutes or less during a typical hourlong meeting, Catterall's reports said.

Nevertheless, most students interviewed by The Times cited the teachers as the best thing about the Halls' schools. In their twice-weekly appointments with a teacher, Blanca and others said, they received personal attention that was impossible to get at crowded traditional high schools.

At Birmingham, "I felt like they didn't have time for me if I didn't get it," Blanca said. "There were so many other [students], the teachers were too busy with the ones who did get it."

Classes that are taught over a semester at a regular school can be completed in as little as a month at Options or Opportunities. Typically, students work on one or two courses at a time, which they must pass on a strict schedule.

The pace helps students quickly build credits. It also helps determine state funding. For an independent study charter to receive maximum funding — last year about $5,700 per pupil — teachers must demonstrate that students worked on their own every weekday.

In Options and Opportunities programs, teachers judge how many days a student worked by how many assignments he or she completes.

Teachers supervise about 50 students each and have strong incentives to document that their charges are keeping up. Those who can show that their students are completing work nearly every day receive $500 monthly bonuses, teachers said.

Students who don't pass courses fast enough are warned and eventually told to leave. Martinez, like other teachers, kept a chart near her desk showing which students were falling behind.

"The system is definitely about getting funding," said Martinez. "If it was actually about student progress, we could be doing a lot more for them."

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New Avenue for Growth

After leaving Princeton Theological Seminary to teach, John Hall took a job at Hollywood High School, where he and his wife had met as students. He said it was there, as he saw teenagers fail year after year, that he developed the idea for a flexible, home-based program for dropouts.

The Halls ran the program under contract with Los Angeles Unified for several years, working out of church basements and the trunk of their car. In the 1990s, as the charter school movement gathered steam, they saw a new avenue for growth.

Intended to promote innovation, charters are independent schools exempt from many of the laws governing public education. They are generally sponsored by local school districts and receive public funding.

The Halls blanketed school districts across the state with applications to open charters based on
their independent study philosophy.

Vista Unified in San Diego County was among many that turned them down. Supt. Dave Cowles said the Halls' petition didn't make adequate provisions for special education students or for those with limited English. He also said the time students were to spend with teachers seemed inadequate.

Cowles said he was also bothered by the mix of nonprofit and for-profit family businesses through which the Halls moved state money. "We had some questions about their whole financial structure," he said.

Other districts welcomed the schools. "It's a good fit for our kids," said Steve Bradley, an assistant superintendent who oversees Burbank Unified's contract with the Halls.

Many of the 3,130 students enrolled in the Burbank charter during the last school year were from outside that district. Under its Burbank contract, Options may open centers anywhere in Los Angeles and adjacent counties, and the district receives a portion of the state funding for each student the charter enrolls. The Burbank district received more than $300,000 last year.

The Los Angeles Unified School District has turned down several charter petitions from the Halls. Yet they operate 11 learning centers within its boundaries through agreements with other districts.

In the early years, the state automatically gave the relatively low-cost independent study programs as much money per student as it paid traditional charters.

"There were literally hundreds of thousands of dollars going out the door to [schools] not only with no walls and no buildings, but no teachers, no textbooks," O'Connell said.

In 2001, California legislators tried to get more control of independent study charters by setting spending quotas and creating a commission to monitor school finances.

Operators are now required to spend at least 40% of their state revenues on teachers and at least 80% overall on instructional expenses. They must prove they are meeting those levels in periodic, detailed reports to the new Advisory Commission on Charter Schools. If not convinced, commissioners, who are appointed by the state Board of Education, can drastically cut funding.

The Halls say they have complied with the new rules, but the state has challenged the way they calculate such things as student-teacher ratios and spending on teachers.

Since the 2002-03 school year, the commission has cut disbursements to the Halls' schools by 30% to 40% each year, withholding tens of millions of dollars the Halls say they were owed.

In response, the operators of Options and Opportunities filed a 2003 lawsuit against the state seeking restoration of some funding. Although the court ruled that the state had improperly reduced its disbursement before rules for doing so were formally adopted, no additional funds were granted.

The family's network of private businesses and the charity have also drawn state scrutiny.
The largest of the Halls' three outside companies, Educational Management Systems, provides administrative services to the Opportunities charters, including bookkeeping, teacher hiring and curriculum development.

Another, Education Dynamics, tracks student work and calculates claims for funding using a software program developed by the Halls. Options and Opportunities charters pay the company $8 a month per student. It sells the same service at a 50% higher rate to three other independent study programs in California, all run by public school districts, according to documents on file with the state.

The third company, Partners in Special Education, provided services for learning-disabled students, but it has been dissolved.

Pathways, the charity run by the Halls' daughter and funded by more than $10 million in reserves built from state funds given to Options, has earned nearly $1 million in interest and dividends through 2004, according to federal tax documents.

But to date, its only charitable venture has been a program in 2004 for about 35 low-performing students at Pasadena's Blair High School. Pathways spent about $200,000 on the program, tax records show.

The students at Blair split their days between attending classes and volunteering at social service groups, according to Rich Boccia, the school's principal, who praised the program. But after a year, he said, Pathways announced it was pulling out for lack of funds.

Jamie Hall, the group's executive director, did not respond to requests for interviews. In an interview and in testimony before the state commission, her father has said that he and Jamie's mother are not involved with Pathways and have no control over the money.

John Hall acknowledged that Jamie Hall is director of human resources at Opportunities. And four members of the Halls' advisory board served on the Pathways board in 2004, the most recent year for which records are available.

**Graduation Day**

As they do each year, the Halls held graduation ceremonies last summer for their students.

At one, a few hundred students in black gowns and caps posed for a picture outside the Pasadena Civic Auditorium. Inside, parents and siblings waited with bouquets of flowers.

Although few of the students at the ceremony that day had ever met, two of them had crossed paths years earlier — as freshmen at Birmingham High. Recalling each other vaguely, Adriana Crawford and Natalie Govers hugged and traded stories.

Adriana said she never felt comfortable on the crowded Birmingham campus and started ditching classes. Natalie bounced around after her family moved. For both, Options for Youth provided another shot at a diploma.
"I hated getting up in the morning and having to go to class for six hours a day," Adriana said. "I wanted to see how quickly I could get it done."

But for every graduate, about nine other students leave without diplomas.

Hall is philosophical about them.

"I can't get them all," he said. "It's just a tsunami here of kids who need services. Give me a break. You can't save every kid."

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**Alternative schools**

Of the 1,087 freshmen who entered Birmingham High in 2001, 358 are known to have transferred to other schools. Where they went:

<table>
<thead>
<tr>
<th>Type of school</th>
<th>Number of students who attended</th>
<th>Percent who graduated</th>
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</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>166</td>
<td>65%</td>
</tr>
<tr>
<td>Nontraditional*</td>
<td>155</td>
<td>27%</td>
</tr>
<tr>
<td>Both</td>
<td>37</td>
<td>22%</td>
</tr>
</tbody>
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* These include vocational schools, continuation schools and independent study programs that provide some personal instruction.

Sources: Los Angeles Unified School District, Times reporting
Data analysis by Sandra Poindexter

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**About This Series**

Students drastically limit their prospects by dropping out of high school. To understand why so many do, The Times spent eight months studying Birmingham High School in Van Nuys.

http://www.latimes.com/news/education/la-me-dropout4feb04,0,6569875.story