

# DC charter school officials charged with funneling millions to personal accounts

Nick Barrickman  
7 January 2014

The District of Columbia's attorney general has launched a civil lawsuit and criminal investigation against officials at the cities' oldest charter school, Options Public Charter School. The lawsuit and investigation stem from school officials' illegitimate billing of the District's Medicaid system for over \$3 million through two shell companies, owned by the school's leading officers, in connection to services provided to students. The main defendants in the lawsuit are Options CEO Donna Montgomery, Options Clinical Director Paul Dalton, and former Clinical Director David Cranford.

The charges and investigation are linked to the gross inflation of costs for services provided to the charters' 400 enrolled students. The companies—Exceptional Education Services (EES), nominally a billing agency, and Exceptional Education Management Corp (EEMC), a service provider for Options' students—brought in nearly \$3 million in Medicaid disbursements for the 2012-2013 year alone, charging the city exorbitant fees by declaring students to be disabled in order to secure higher funding.

In its lawsuit, the District cites a 42 percent jump in students declared to be disabled in the 2012-2013 year, while the school's total enrollment grew by only 15 percent.

In the District of Columbia, a charter operator can be compensated up to \$28,284 in additional Medicaid funds for educating a disabled child, on top of the \$9,000 standard amount spent on each student. Options officials, acting through EES and EEMC, charged a 25 percent fee to Medicaid for services rendered, as well as prescribing additional programs, including the operating of a bus service with on-board "therapeutic services," allowing it to maximize the funding it received.

"Through EES, we hope to become the Medicaid biller for other schools and get additional income for Options," said Dalton in a company minutes report submitted to the court. As director of EES, Dalton earned \$162,522 last year, and another \$94,884 from his connection to EEMC. Similarly, Montgomery and Cranford received a combined amount of \$872,000 and \$214,599 for their connections to the various companies, including Options itself.

The lawsuit also names DC Public Charter School Board (DCPCSB) official Jeremy L. Williams, who "regularly forwarded confidential, internal" emails to the charter officials, helping them conceal their involvement while receiving nearly \$150,000 himself. Lastly named is local DC media personality J.C. Hayward, a news broadcaster for WUSA Channel 9 in the District, who acts as EES board chairwoman and owns stock in the company. Hayward is allegedly responsible for signing key contracts for the company.

The inclusion in the lawsuit of officials from the DCPCSB is of significance. The WSWs has stated that "this organization represents an official conduit from the private business sector to the public school system." This is evidenced by the numerous pro-business figures populating the committee, as well as conflicts of interest which have developed in the past involving the body.

In 2008, former DCPCSB chairman Thomas A. Nida was found responsible for procuring loans for charter applicants in his capacity as an official at United Bank, and then simultaneously voting for approval of the contracts brought before him at the DCPCSB, without disclosure that he would stand to profit personally. At the time, investigators found over \$200 million worth of such contractual conflicts of interest within the city's charter school system. (See: "Behind the growth

of D.C. charter schools”)

In an attempt to provide damage control, DCPCSB Executive Director Scott Pearson announced that the overseeing body would be revamping numerous disclosure rules pertaining to charters doing business with for-profits in the city. “Frankly [the DCPCSB has] not been as clear as we should have been about what contracts needed to be submitted and what contracts didn’t,” said Pearson, all but admitting that the situation at Options was not unique.

The scandal implicating the District’s oldest charter school is of a piece with the general content of the education “reform” project. The policy of both Republican and Democratic Parties, from the federal level to municipalities, has been to transform the public education system into a for-profit venture as a part of the general looting of social gains benefiting the working class throughout the previous century. This is most clearly captured in President Barack Obama’s “Race to the Top” program, which forces cash-strapped school systems to compete for federal money by introducing onerous testing regimes or else risk being shut down and taken over by for-profit charter operators.

The systemic character of the violations seen at Options was captured in a comment given by A. Scott Bolden, an attorney for one of the accused. In response to the charges leveled at his client said, Bolden stated that “[t]hese related-party transactions between for-profit management companies and the nonprofit public charter schools are not only appropriate and lawful, but the same arrangements exist with several other public charter schools... It seems to me that the government has quite a burden on its hands in proving these claims against my client.”

In other words, everybody does it.



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**