

# Study shows US charter schools pocketing billions with no accountability

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An aptly named yearlong study titled “Charter School Black Hole” has revealed an astonishing level of incompetence, mismanagement and outright criminality within the American charter school industry.

The Center for Media and Democracy, a liberal watchdog group, sponsored the first in-depth 20-year look at the federally allocated finances of the charter school industry. The study shows that since 1995, \$3.7 billion has essentially disappeared into the hands of charter schools with almost no accountability. The authors of the study were astonished at “how little is known” about the chain of responsibility from the federal government on down.

“Basic questions about how taxes intended to teach kids are really being spent by charters each year remain unanswered even aside from serious questions raised about academic results,” they note.

Most shockingly, the group found that millions of dollars have flowed into charter school coffers for “ghost schools”, operations that either never opened or briefly opened and then shut.

For example, in just two years—under the watch of the Obama administration’s Department of Education Secretary Arne Duncan—the State of Michigan provided a staggering \$3.7 million to 25 such fraudulent enterprises which *never* opened, while Ohio spent another \$4 million on seven. California spent \$4.7 million on schools which opened and quickly closed; Wisconsin \$2.5 million, Indiana \$2.2 million, etc.

These findings represent a damning indictment of both Democratic and Republican administrations which have promoted and protected the profits of the “education business industry” at the direct expense of public school funding. These trends, however, have dramatically worsened under the Obama administration and his Race to the Top (RTTT). And frankly, while the CMD report is valuable, it appears to be only the tip of the iceberg, as the group was repeatedly blocked by both federal and state officials in its access to information.

Nonetheless, the exposé demonstrates the role of the Department of Education in the shielding of these criminal and semi-criminal businesses. In the case of the “ghost schools” funded in Michigan, these egregious operations were reported to the Obama administration, but after Michigan officials said it “wouldn’t happen again” the Department of Education assured them “there will not be any additional follow-up.”

How has this money been spent? Who has benefited from its allocation? Up until recently the answers to these questions remained entirely hidden.

Charter schools began to take over sections of allegedly “failed” public schools during the mid-1990s. Following on the heels of the school voucher and “schools of choice” initiatives, that began to gather steam in the wake of the infamous diatribe against public education, “A Nation at Risk” (1983), the war against public schools, institutions long viewed by many in the ruling elite as being tantamount to socialism, began in earnest during the Reagan years.

With the relaxation of restrictions regarding who could open a charter “public” school, the watchword was now “flexibility” over rules. According to the CMD study, “that flexibility has allowed an epidemic of

fraud, waste and mismanagement that would not be tolerated in public schools.” Thus, with dollar signs dancing in their heads, a rogues’ gallery of corporate honchos, charlatans, conmen, preachers and others having no connection to, let alone knowledge of, the complex process and practice of educating children, have insinuated themselves into public education, with disastrous results.

When the CMD began asking for lists of charter schools receiving federal money it was initially stonewalled. Obama administration representatives in the Department of Education claimed they could not immediately provide a list of charters that received federal funds, additionally claiming that they did not keep lists of charter school “authorizers.” An authorizer is any individual or organization, public or private, under whose auspices a charter school is founded.

Since charter schools do not charge tuition they are considered to be “public” schools. However, many are operated as for-profit enterprises, run by so-called “Education Management Organizations” that have sprung up like mushrooms on a rotting log. Funding for charters begins at the federal level with Charter Schools Program-State Education Agencies (CSP-SEA) grants. The \$3.7 billion that vanished into the metaphorical black hole was allocated from this program.

The CMD study shows that phenomenon of “ghost schools” is not a local or regional problem. They dot the charter-school landscape in virtually every state where charters exist. Many of these operations received tens of thousands of dollars in seed money that originated from CSP-SEA grants from the federal government.

But as the saying goes in any good detective story ... “follow the money,” and that is what the CMD investigators did. They write: “What has happened is that the federal government has passed off the primary responsibility of determining which charters are eligible to receive funds to the states. And states have pawned off that responsibility to authorizers, some of which are public entities like school districts while others are purely private. Basically, when CSP funds are awarded by the federal agency, money goes to the states, which then passes it to charter school sub-grantees approved by authorizers.”

It should be noted that charter schools run by for-profit outfits like National Heritage Academies in Michigan, for example, can constitute themselves as “districts” replete with their own “school boards,” usually individuals that rubber stamp company policy.

So, like some strange reverse money laundering operation, the criminal obtains money legally to use as he or she sees fit, and usually with no questions asked. Or, as the CMD document explains: “This system insulates each element from accountability for what actually happens in charters.”

It should be stressed that this grant money is, after all, a portion of the larger expenditure for public education. When the Obama administration launched its Race to the Top education initiative, it allowed charter schools to play by a different set of rules, giving them a decided advantage over traditional public schools.

The “insulation” to which the CMD study refers is assured by collusion between lobbyists and state legislators, usually behind closed doors. The CMD investigation describes the intense lobbying for continued “flexibility” for charter school spending practices by organizations such as NAESA, the National Association of Charter School Authorizers, working through the American Legislative Exchange Council, or ALEC.

ALEC is essentially an extra-parliamentary collaboration between corporate lobbyists and elected officials, in which so-called “model” bills are discussed and drafted. With regard to charter schools, the end result of these behind-the-scenes machinations is that charters are not restricted by the rules governing the conduct and fiscal transparency of traditional public schools.

The CMD study focuses on 15 states, including five with the highest student enrollment in charter schools; California, Texas, Florida, Arizona and Michigan. As the WSWS has noted, “The theft of public monies goes hand in hand with a reduction in per-pupil spending, including salaries and benefits for teachers and support staff, in addition to supplies and equipment used for instruction. During 2012-13, average charter classroom spending was \$4,893 per pupil, compared with \$6,985 for traditional schools.”

Michigan provided the least amount of statistics for the CMD investigators, so they had to rely on the *Detroit Free Press* and other sources, including the FOIA (Freedom of Information Act). What was revealed was systematic fraud and mismanagement. According to the CMD investigation, between the years 2010 and 2015, \$35 million in federal grant money was spent on charters in Michigan.

In 2014 there were 297 charter schools in Michigan, with an enrollment of 141,204 students. Of these schools, 139 charters were subsidized by federal tax dollars. According to the study, 108 charters have closed in the state either due to poor performance (“academic viability”), low enrollment (“financial viability”) or both. Twenty-five of these are the “ghost schools.” Four out of five charter schools in the state are run as for-profit enterprises, the highest percentage in the nation.

The CMD study highlights a particularly egregious example of criminality involving Bay City Academy, a charter school founded by Steve Ingersoll. Mr. Ingersoll received a \$200,000 CSP grant, which he used to obtain a line of credit for the renovation of a church that would supposedly become his charter school. But when a construction union involved in the renovation complained about unsafe asbestos removal, investigators found that Ingersoll had deposited nearly a million dollars into a private account.

Incredibly, the CMD study found that “neither the school board nor Lake Superior State University, the authorizer of the charter school, nor the Michigan Department of Education found anything illegal in the school’s audit.” Ingersoll subsequently pleaded guilty to two felony counts of tax evasion and “conspiracy to defraud the government.”

In another case, a charter called the Benjamin E. Mays Male Academy received \$110,000 in grant money from the State of Michigan, even though it is a religious school that charges tuition.

These examples of fraud and the misuse of funds are just the tip of a very large iceberg. In California, for example, where there are more than 1,100 charter schools, \$4.7 million was given to charters that subsequently closed. In some cases, charters were revoked for flagrant violations of the most basic standards required by traditional public schools. The CMD investigators note that “the problems identified with these closed charters underscore all-too-common failures of charters and demonstrates how federal money has been wasted on sub-par educational enterprises that fail even the most basic standards.”

In September 2015, the Board of Education of Los Angeles upheld the revocation of a charter in which “substantial evidence demonstrated that the Rowland Heights Charter Academy committed material violations of its charter, violated provisions of law, failed to meet generally accepted

accounting principles; engaged in fiscal mismanagement, and failed to remedy such violation (sic).”

In addition, the school was cited by Public Advocates for illegally requiring parents to perform unpaid labor for three hours a month, called “volunteer work” by the operators of the school. According to the CMD study, Rowland Academy had received \$375,000 in CSP funds and there is no public accounting available online of how the money was spent.

Another school, called “Urban Village”, had its charter revoked after it was found, among other things, to have failed to conduct criminal background checks of its employees, to ensure that all teachers are properly credentialed, and to follow conflict of interest laws by paying a sitting school board member for after-school services. Rowland Academy was founded with \$575,000 in CSP sub-grant funds.

In other states where charter schools have been allowed to proliferate, the story is the same or worse. In Indiana, for example, the Indiana Cyber Charter opened in 2014 with an infusion of CSP cash to the tune of \$420,000. But following a series of problems, including financial mismanagement and rock-bottom student achievement, it closed suddenly in 2015, leaving 1,100 students to search for a new school. According to the CMD investigators, Ohio represents an “embarrassment to charter school advocates,” after it was revealed that between 2007 and 2012 \$4.6 million was paid out to “ghost charters.” The study also exposes the fraud of the so-called “on-line” schools in Ohio that have performed among the lowest schools in the state academically.

A particular mention must be made of the charter schools in Washington, D.C. The CMD study cites numerous incidences of fraud and mismanagement at charters that in some instances were “operating down the street from the US Department of Education.” In fact, the situation in the nation’s capital shows how deeply the Obama administration is implicated in all manner of corruption and chicanery involving their support for charter schools.

The study states: “D.C. charters have closed for the usual reasons: poor learning conditions, financial mismanagement, health and safety concerns, inadequate enrollment and poor academic performance. ... Despite these problems, money that would otherwise go to public schools has continued to be redirected to charters.”

One particular case stands out. In 2014, the D.C. attorney general sued the founder of the Dorothy I. Height Community Academy, Kent Amos, for allegedly creating a shell company that billed the school \$13 million for various jobs done by school employees. According to the *Washington Post*, “Amos profited most in recent years. ... He received about \$1.15 million in income in 2012 from the management company, according to federal tax records. In 2013, he received \$1.38 million, including \$103,000 paid to his wife, who was also listed as an employee.”

In May of 2015, Amos agreed to settle the lawsuit for \$3 million, but the question remains: “Why wasn’t there a criminal trial?” The CMD study cites a *Washington Post* article that the schools authorizer, the Public Charter School Board, had found no financial irregularities. As to protection from political sources, it can be noted that Mr. Amos had been praised by Education Secretary Duncan for his “success and leadership” in 2010.

Finally, the CMD study notes that while its investigators were being stonewalled by the Department of Education regarding the requested lists of funded charter schools and their authorizers, the Obama administration was pressing Congress to increase funding for these schools.

The study concludes with a list of over 1,000 CSP charter sub-grantees by state for the years 2010-2015. While a few schools received as low as \$25,000, the average award by entity appears to be about a half million dollars. These numbers are particularly astonishing considering the massive cuts to public education throughout the nation during this period.

Public education, and in particular its democratic and egalitarian underpinnings, is being systematically dismantled in favor of a privatized

class-based system. The notion of an informed populace so important to the revolutionary founders of the United States nearly two-and-a-half centuries ago is anathema to the present-day capitalist class, utterly consumed with the preservation of its wealth at all costs.



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