

STILL ASLEEP AT THE WHEEL:

How the Federal Charter Schools Program Results
in a Pileup of Fraud and Waste



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The Network for Public Education is an advocacy group whose mission is to preserve, promote, improve and strengthen public schools for both current and future generations of students. The goal of NPE is to connect all those who are passionate about our schools – students, parents, teachers and citizens. We share information and research on vital issues that concern the future of public education at a time when it is under attack. For more information, please visit our website at www.networkforpubliceducation.org.



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Executive Summary

In May of 2019, the Michigan State Board of Education voted to stop the disbursement of a \$47 million grant from the federal Charter Schools Program (CSP). The duly elected Board had good reason to take action, especially given that the Michigan Department of Education had applied for the money without the Board's consent.¹

Ironically, just three years before, the Michigan Department's 2015 grant application had been rejected by the CSP; reviewers of the application noted the lack of supervision of the 44 authorizers that approve and monitor the state's charter schools.²

Charter school authorizing had become a lucrative business for colleges and universities that enjoy a three percent cut of the millions of tax dollars that charter schools receive each year. Nearly 80 percent of the charters in Michigan are controlled by for-profits that have their vested interest in growth as well.

But Washington had changed, and now Michigan billionaire Betsy DeVos was in charge. Previous reservations about oversight were set aside and her home state got the grant.

State Board of Education President, Casandra Ulbrich, explained to us why the Board tried to block the grant.

The State Board of Education was presented with a set of grant criteria to ultimately spend up to \$47 million expanding and creating new charters in Michigan. The Board was never consulted when the state applied for the funds, and had severe reservations focusing on two areas. The first was concern over previous use of the grant funds. The second was whether a state with a 17-year record of student enrollment declines, and parallel declines in student achievement, needed to open more charter schools. Following the vote, I began reviewing previous grant information and today, am even more alarmed by what I have found.³

Despite the objections of the state's elected Board, the Michigan Attorney General ruled that the grant must be dispersed.

Ulbrich also told us that NPE's March, 2019 report, *Asleep at the Wheel: How the Federal Charter Schools Program Recklessly Takes Taxpayers and Students for a Ride*⁴, had raised serious questions about the CSP program among the Board. That report told the stories of charter schools that nev-

er opened or closed after receiving hundreds of thousands in federal funds. *Asleep at the Wheel* shared evidence of the mismatch between what the applicants told the Department and what was actually happening at the grantee schools. It revealed that the U.S. Department of Education's Office of Inspector General had warned about abuses in the CSP but its warnings were largely ignored.

This report, *Still Asleep at the Wheel: How the Federal Charter Schools Program Results in a Pileup of Fraud and Waste*, takes up where our first report left off. In it, we provide detailed information, state by state, on how federal dollars were doled out to schools that no longer exist or never existed at all.

In 2015, the U.S. Department of Education (the Department) published a list of charter schools that received funding from grants that were active between the school years (SY) of 2006-07 and 2013-14. Using that database of 4,829 schools⁵, we meticulously determined which charters that received grants were still open, which had closed and which had never opened, resulting in state by state records of enormous waste. We examine the detailed spending records of some of Michigan's ghost charter schools that received grants exceeding \$100,000. We explain how money moves into the hands of for-profit management organizations and tell the stories of subgrantees that engaged in fraud—sometimes amounting to hundreds of millions of dollars—all beginning with funding from the federal Charter Schools Program.

Major findings of our research include the following:

- **Documented charter school closures and the waste of federal funds exceeds our first report's estimations.**

We believed that about 1,000 recipient charters were defunct. However, using the 2015 database, we identified **1,777 grantee schools** that either never opened or had shut down. The number of non-opera-

tional recipients, across 25 years of the program is inevitably in the thousands.

In the first report, we estimated the failure rate for recipient schools to be 30 percent. For schools listed in the database, however, our latest review found a **failure rate of 37 percent**.

It is impossible to document total waste for the entire 25 year program because the Department never required the states to report the names of funded schools until 2006. However, we have now documented **\$502,468,123** (28 percent of the total database amount) that was awarded to schools from grants that were active between SY 2006-07 and SY 2013-14 that never opened or that have closed. Applying that percentage to the total expenditures (\$4.1 billion) of the CSP programs designed to create new schools, **approximately \$1.17 billion** in federal funding has likely been spent on charters that either never opened, or that opened and have since shut down.

- **The disbursement of over one billion dollars during the program's first decade was never monitored for its impact or results. There is no record of which schools received the funds.**

From 1995 to 2005, enormous funds were pushed out to the states to distribute to schools via subgrants. Yet the Department *has no complete record of which schools received funding* during the program's early years, because it never required the states to report the names of subgrantee schools or their status. The Department's oversight ended when the funds left Washington.

During the first decade of the program when states did not have to report where the money went⁶, Florida, a state where nearly half of all charter schools are run

by for-profit organizations, received four grants totaling \$158,353,525. Michigan, where about 80 percent of all charters are run by for-profit management companies, received four grants totaling \$64,608,912. California also received four grants, totaling \$190,857,243.

- **Although the overall rate of failed charter projects was 37 percent, in some states the rate of failure was much higher.**

Iowa and Kansas have the largest proportions of failed subgrantee charter schools. Eleven charter schools in Iowa received grants. Ten failed, wasting over \$3.66 million. As of 2014, the database indicates that Kansas doled out \$8.51 million to 29 schools. Twenty-two (76 percent) of those schools either never opened or are closed today—\$6,389,964 of the \$8.9 million was wasted.

States with a **subgrantee failure rate exceeding 50 percent** include: Delaware, Georgia, Hawaii, Iowa, Kansas, Maryland, Mississippi, Virginia and Washington (state). Mississippi had only one grantee and that school failed. Georgia had 75 failures, resulting in over 23 million federal dollars wasted.

The percentage of defunct charter school grantees in Florida was 37 percent (\$34.2 million); the Michigan failure rate was over 44 percent (\$21 million) and Louisiana's failure rate was 48 percent (\$26.7 million).

The most astounding loss, however, was California's: nearly \$102 million was awarded to charters that never opened or have shut down—37% failed.

- **Five hundred thirty-seven (537) schools listed in the database never opened at all. Many received over \$100,000 in federal funds.**

Since 2001, charter school entrepreneurs have been eligible to receive CSP grants before they have even identified an authorizer or submitted a detailed application to open a school. In total, we identified 28 states that had at least one charter school (537 schools in total) that never enrolled even one student for one day and yet had received federal funds. According to the CSP database, those schools received, or were due to receive when the database collection ended, a total of **\$45,546,552 million**.


Topping the list was the state of Michigan where **72 never-opened schools received planning grants**, most exceeding \$100,000. Over \$7.7 million was wasted. In California, we identified 61—with waste of \$8.36 million.

Other states with large numbers of never-opened schools receiving CSP funds include Arkansas (18), Florida (46) Illinois (20), Maryland (38), Massachusetts (17), New Jersey (23), Ohio (20), Oregon (40), Pennsylvania (41), South Carolina (34), Tennessee (43) and Wisconsin (15).

This report provides details on how several of these never-opened charters in Michigan spent those federal funds.

- **Although Congress forbids for-profit operators from directly receiving CSP grants, they still benefit by having their schools apply.**

Although we could not identify every charter in the CSP database that was run by a for-profit management company, we were able to identify those run by the large for-profit chains including Academics, K12, National Heritage Academies, White Hat and Charter Schools USA. In total, we found 357 schools in the database run by major for-profit chains. These schools had received a total of \$124,929,017 in federal CSP start-up funds.



Unsurprisingly, most of this money flowed to for-profit run schools in Florida (\$46,936,979) and Michigan (\$26,452,927). Eighty-three (83) schools run by the Florida-based, for-profit chain Academica received CSP grants, totaling \$23,426,383.

Still Asleep at the Wheel also describes why so many charter schools fail, along with the stories of grantee schools that abruptly closed, sometimes with little or no notice to their students and families. Far too often those schools shut down due to corruption and fraud. Our report provides disturbing accounts of grifters and profiteers who took CSP and other taxpayer funds only to enrich themselves at the expense of the students they had promised to serve.

The staggering amount spent on schools that have closed or never opened, as well as those that have engaged in fraud, is nothing short of a national scandal. As public dollars are diverted from public schools, the students who attend their neighborhood schools have fewer resources. It is time to put on the brakes and chart a new course.

We were heartened that after the publication of our first report in March of 2019, the U.S. House of Representatives reduced funding for the CSP program for 2020. However, a small reduction is not sufficient to address the program's structural flaws.

We therefore strongly recommend that Congress end appropriations for new charter school grants in the upcoming budget and continue funding only for obligated amounts to legitimate projects. Once those grants have been closed, we recommend that the CSP be ended and that charter schools continue to receive federal support only through other federal funding streams such as Title I and IDEA. Students, not charter school entrepreneurs, should benefit from federal funds.

We also recommend thorough audits by Congress of previous grant awards, the establishment of regulations to ensure grant awards still under term are being responsibly carried out and that misspent money is returned to the federal coffers.

Introduction

Classes were cancelled after the tearful students of Detroit Delta Prep Academy poured out onto the streets. The distraught teens had just learned that their school would shut down in only five days. It was September 26, 2018. School had barely opened.

Senior Steven McDuell was the star running back of the school. He was stunned. He would never play at the Homecoming Game, which was hastily cancelled after the charter board's vote to close Delta Prep.⁷ Eleventh-grader Jela Holt told *Fox 2 News* that she was in the National Honor Society and ranked second in her class. She asked, "And now you want to kick me out of school?"⁸ One devastated mother talked to the *Detroit Free Press* about broken trust. "I entrusted her education to a group of people—they're making me feel like I failed her, like I didn't do enough research."⁹


After the charter school abruptly closed, journalist Koby Levin of *Chalkbeat* was determined to find out what had gone wrong.¹⁰ After extensive interviews and a review of financial records, he concluded that the school never should have opened in the first place. According to Levin, it was doomed to fail. The competition and churn of unregulated charter schools in the City of Detroit resulted in too many schools vying for the same students, even as city enrollment was dropping. What he refers to as a "barrage of charter school closings" sent 7,000 students in search of another

school during a two-year period, causing disruption and the under-education of already disadvantaged kids.

Levin lays a good part of the blame at the feet of Betsy DeVos. He discusses how attempts to regulate and rein in an out-of-control charter sector have been "repeatedly foiled by deep pocketed advocates" and he mentions the now Secretary of Education by name.

What Levin did not identify, however, was the equal culpability of the federal government, specifically the program that DeVos now directs—the U.S. Department of Education's Charter Schools Program (CSP). Since the program began in 1995, the CSP has enabled charter churn, waste and fraud in Michigan by granting that state \$111,074,605¹¹ in federal tax dollars to open new schools.

Detroit Delta Prep, which stranded its second graduating class, got a \$235,000 grant from CSP to open its doors. Taylor International Academy¹², another Michigan charter which abruptly closed the year before, got started with a \$389,130 CSP grant. In total, the Network for Public Education has identified 112 charter schools in the state of Michigan that received federal dollars from grants that were active between 2006-2014 and either never opened, or eventually shut their



doors on the children they were entrusted to serve. We have no doubt there are many more.

The story of Detroit Delta Prep is not unique. In the spring of 2019, the Network for Public Education published *Asleep at the Wheel: How the Federal Charter Schools Program Takes Taxpayers and Students for a Ride*.¹³ That forty-page report began a national conversation regarding the U.S. Department of Education's Charter Schools Program, a program that previously had received scant attention outside of the charter school community. In the report, we concluded that one billion dollars may have been wasted to create charter schools that either never came into existence, or failed and shut down in the years following receipt of the grant.

Asleep at the Wheel told the stories of charter schools that closed—sometimes due to misappropriation of tax dollars or fraud—after receiving hundreds of thousands in federal funds. We shared evidence of the mismatch between what the applicants told the Department and what was actually happening at the prospective schools. We noted that the U.S. Department of Education's Office of Inspector General had warned about abuses in the CSP but its warnings were largely ignored. And we described recipient charter schools in two states that have been cited by the American Civil Liberties Union for engaging in discriminatory enrollment practices.

When confronted by members of Congress regarding the report, Secretary of Education Betsy DeVos appeared incurious regarding its findings and dismissed it as “political.” She and other defenders of the Charter Schools Program claimed that the billion dollar figure was a gross exaggeration of the amount wasted on defunct schools.

And so we asked ourselves if perhaps we had been off the mark. Had we insufficient knowledge of the program, as our critics claimed, to draw our conclusions? We decided to find out. The more we dug into the data, the more we realized that our first report had only scratched the surface of the Department's willingness to pump out

hundreds of millions of tax dollars to unqualified charter operators without vetting them or providing sufficient oversight.


Using the 2015 database of 4,829 recipient charter schools published on the U.S. Department of Education's website¹⁴, we began a meticulous state-by-state process to determine which charters that received grants were still open, which had closed and which had never opened at all. We read prior program reports. We also submitted a Freedom of Information Act (FOIA) request to the Department for additional records of spending. The Department ignored our first request in July, then claimed it did not have the information. In October, 2019 it sent a link to its website that, at the time, was irrelevant to the request¹⁵.

The Department published an updated database during the week of November 11, 2019 on the linked webpage. That database, which combined the raw data from state reports since 2006, contained a startling amount of error regarding the status of recipient charter schools. We describe the 2019 database and its contents in Appendix A, but relied exclusively on the Department's 2015 organized database to identify schools and the amount they received.

Finally, we were able to obtain some detailed records of grant spending by Michigan charter schools that never opened. These records provide critical insight into what happens to federal tax dollars when they are given to schools that never enroll even one student for one day.

Still Asleep at the Wheel

This report is divided into five parts. **Part I** reviews the methodology we used to create our state lists. We describe what is known and what remains unknown due to a lack of oversight by the Department during the program's first decade. We then explain and document—in even greater detail than provided by our first report—tax dollars wasted on defunct charter schools. Our additional research found that we underestimated the problem.



Part II describes the State Education Agency (SEA) grants and the lack of supervision by the Department over how billions of tax dollars have been spent. We show differences in the state failure rates of charters that received CSP funding. We describe “the lost years” during which the Department has no record of which schools were funded with federal dollars and how that funding was spent.

Part III focuses on the more than 500 ghost schools—schools that received funding but never enrolled even one student for one day. Using records from the state of Michigan, we present some examples of how U.S. Department of Education CSP money given to these ghost schools was wasted.

According to law and regulation, for-profit charter schools cannot receive CSP grants. However, the law allows charters *operated by* for-profit charter management organizations (CMOs) to receive grants. This has allowed federal tax dollars to help finance some of the biggest scandals in the history of the charter movement. **Part IV** explains the problem and recounts scandals.

Part V focuses on the problem of charter failure. It provides an overview of the problem and tells the stories of CSP grantee schools that failed and describes the effects on communities and students who are the victims of charter churn and closure.

Our first report issued a clarion call for better oversight and monitoring of the federal Charter Schools Program. This report drills deeper into a program that appears bent on quantity rather than quality and continues to tolerate a high level of waste and potential corruption in its pursuit of an ever-expanding charter school marketplace.

The report also includes our conclusions, concerns and recommendations for the future of the federal Charter Schools Program. The present Secretary of Education, Betsy DeVos, finds the high failure rate of grantees to be the cost of doing business. She and other advocates view school closings as a natural part of market forces. Schools, however, are not shoe stores that open or close with little impact on customers, who are only shortly inconvenienced until they find a new place to shop.

For children, schools provide stability and community. The friendships forged among classmates and the constancy of care provided by teachers, principals and counselors are more important today than ever before. As Part V shows, the closing of schools, be they charter or public, brings trauma to families, not cheers that the marketplace is working.

It is time we retake the wheel from those who are blissfully asleep and steer federal policy in a direction that serves our children and our taxpayers best.

The Charter Schools Program (CSP) was established in 1995 to kick-start the creation of new charter schools. At the time, there were about 250 charter schools in the nation. Now there are more than 7,000 schools. The National Center for Education Statistics (NCES) recently reported that charter schools do not get better academic results than public schools, even when demographics of students are taken into account.

The CSP is authorized under the Elementary and Secondary Education Act (currently the Every Student Succeeds Act, Title IV Part C) and operates inside the U.S. Department of Education's Office of Innovation and Improvement. The CSP includes seven different funding streams. Two of these provide loans or credit enhancements for the purchase and renovation of charter school facilities. Two others provide technical support and dissemination of best practices. Three programs—which are the focus of our analysis—offer start-up funds to prospective schools, or expansion dollars to existing schools or to charter management organizations (CMO). Specifically, these three programs are as follows:

- **Charter School Program State Entities (SE):** The SE grant program provides federal dollars to state departments of education or other approved “state entities” (Governors and charter support agencies), which then subgrant the funds to charter operators looking for seed money to create a new charter school. It is the largest of the CSP funding streams. The SE program was originally limited to funding state education departments, known as State Education Agencies (SEA). The program was expanded in 2015 to allow other types of state entities to receive and subgrant funds.
- **Charter Schools Program Non-State Educational Agencies (Non-SEA) (now referred to as Developer Grants):** The Non-SEA or Developer Grants allow individual charter schools to apply directly to the federal CSP for start-up funds in states where charter schools are permitted, but where the state has not applied for or received an SE/SEA grant.
- **Charter Schools Program Grants for Replications and Expansion of High-Quality Charter Schools (also known as CMO grants):** This grant stream provides funds to nonprofits, including charter management organizations, to replicate and expand high-quality charter schools. This program began in 2010.

Recipients are typically offered funding over three to five years, with the total grant being released in increments, based on progress in meeting stated planning goals.

Funding for the federal Charter Schools Program has steadily increased as the movement (and its lobbying capacity) has grown. Begun with just \$6 million in 1995, Congressional appropriations for the CSP jumped to \$190 million by 2001 and nearly \$219 million in 2004. In 2019, the federal Charter Schools Program was funded with \$440 million in taxpayer dollars.

For additional information on the Charter Schools Program, including regulations, and listings of awards, see <https://oese.ed.gov/offices/office-of-discretionary-grants-support-services/charter-school-programs/>.

Still Asleep at the Wheel

Part I

The Billion Dollar Question: How Big is the Problem of Waste?

In our first report issued in the spring of 2019, the Network for Public Education (NPE) estimated that about 30 percent of all charter schools that received start-up or expansion funding from the Charter Schools Program are now defunct—that is, they either never opened or have since closed down. We estimated that the grants given to those defunct charter schools totaled about one billion dollars.

Our critics, including the Secretary of Education, dismissed our findings and described our report as “so-called research” without providing any evidence to the contrary.

NPE decided to revisit all available data to reassess our earlier estimates. This was not an easy task. For the first decade of the Charter Schools Program, the states were not required to report which schools received the grants. However, two important documents—a report and a database—issued by the Department in 2015, provided insight and detail into a program that has spent over four billion federal taxpayer dollars during the past 25 years.

The first was a report entitled, *The U.S. Department of Education’s Charter Schools Program Overview*.¹⁶ It is a collection of 25 Power Point slides that highlight the generosity of the program and its major role in charter school expansion. It also presents demographic and performance information regarding recipient schools and charter schools at large. An updated version of the overview was posted on the Department website during November of 2019.¹⁷

From the 2015 and 2019 overviews, we learned that:

- Between 1995 and 2017, the U.S. Department of Education awarded \$3.9 billion dollars to states, charter management organizations, or directly to charter developers for the purpose of providing start-up or expansion funds to charter schools.
- The vast majority of that money (\$3.3 billion) was disseminated to state education agencies to be subgranted to prospective charter school operators.
- As of 2017, 3,138 charter schools that received funding from active grants from 2006 until 2017 were open.
- It was not until the 2006-2007 school year that comprehensive data on these subgrantees were reported by the states to the Department. We dubbed this period of time, be-

tween the program's creation in 1995 and 2005, "the lost years."

This is not the first time that a lack of oversight during the first decade was noted in a report. In 2004, the Department commissioned independent researchers from SRI International to evaluate the Charter Schools Program (CSP), then known as the Public Charter Schools Program (PCSP). In their study entitled *Evaluation of the Public Charter Schools Program: Final Report*,¹⁸ SRI described how difficult it was to evaluate the program due to a lack of information on subgrantees that received money from the states. Researchers had to resort to surveying individual charter operators around the country to ask if they had ever received a PCSP grant. Many had no idea. Referring to the quality of the information that was available, the researchers noted:

The mixed data quality is likely due to the fact that states are not required to provide subgrant information to ED as part of their reporting requirements.

Two additional difficulties in determining the proportion of schools receiving funds per year are the changing numbers of operating charter schools in any given year and the fact that some states allow subgrants to be awarded to planners for schools that may never open. Overall, these data collection efforts did not result in clear-cut answers. (Evaluation of the Public Charter Schools Program: Final Report, 2004, p.14)

The CSP Database

The second document that allowed us to conduct our analysis is the 2015 Charter Schools Program Database,¹⁹ which is labelled the *December 2015 CSP Awards Dataset* on the Department's website. It provides a state-by-state list of all grants that were issued to charter schools or prospective charter school through the SEA/SE, non-SEA and CMO programs. The name of the recipient school and the amount awarded or promised is given for each award.

However, because of the lack of mandated reporting on SEA subgrants for the first decade of the program, the database is incomplete. The Department acknowledges this in the data description and codebook for the database:

The CSP Awards Database in this Excel file combines the data on CSP subgrant awards provided to schools from grants that were active beginning with SY 2006-07. The CSP grants that were active in SY 2006-07 included subgrant awards that go back to fiscal year 2001. Schools funded by CSP grants that closed prior to SY 2006-07 are not included in this database. As a result, this database is not a complete listing of all schools that received a CSP subgrant award.

The underlined sentence (ours) is critical to understanding the database as used in this report. Although the 2015 database includes 4,829 grants to charter schools totaling \$1,794,254,312, the thousands of schools that had received approximately \$1.3 billion dollars prior to reporting requirements were then, and likely now, unknown to the Department. Neither Congress nor the public may never know where the money went or how it was spent.

Although the 2015 database includes 4,829 grants to charter schools totaling \$1,794,254,312, the thousands of schools that had received approximately \$1.3 billion dollars prior to reporting requirements were then, and likely now, unknown to the Department.

The CSP 2015 database is best described as a snapshot of the three CSP grants programs (see page 8) based on information known to the Department in 2015. Beginning in 2006, states that received grants through the SEA program were required to annually report on the status of the money they disbursed to their sub-grantees—

Could the failure rate be even higher than 37 percent?

According to the U.S. Department of Education's 2019 Charter Schools Program Overview, 3,138 charter schools that received active grants between 2006-07 and 2016-17 were open as of 2017. The overview, however, neglects to show how many schools received grants during those years.

In a letter to Congress following our first report, Secretary of Education DeVos stated that 5,286 charter schools received grants during those years. That means that 2,127 schools never opened or closed, which is a **40.5 percent failure rate**. We encourage the Department to publish an organized database, with updated school status information, that builds on the database of 2015 in order to provide true transparency.

Appendix D explains the implications of the Secretary's letter for the findings of this report and provides a link to the letter itself.

charter schools or charter school developers—from all open grants. They reported that information on a Department-developed collection form. It appears that information was collected and submitted until the grant was closed.

In July of 2019, the Network for Public Education sent a FOIA request²⁰ to the U. S. Department of Education for all records of grants from reports prior to, including and after the 2015 database. Months passed and we received no response. We submitted our request again. The first response was a letter that claimed the Department did not have a report. A second followed, which provided a web link that proved, at the time, irrelevant to our request.²¹

In November of 2019, the Department put a second database on the website. Unlike the 2015 database, which combined grants given to the same school listing the information in an organized manner, the 2019 database is a merger of forms submitted to the Department from the states. It does not include subgrants from the early years of the program. Using a pivot table to isolate schools by NCES number, it appears that

about 800 schools received funding since the issuance of the 2015 database. For some of these schools it may simply be an additional grant.

We used the 2015 database, rather than the 2019 database as our resource for schools and grants because we found considerable error in the 2019 database, as explained in Appendix A. In addition, many post 2015 grantees listed had not yet opened, or were opened for a very short time, thus not spending most of their grant. Data collection for the 2019 database ended in 2018.

A Painstaking Process

The Network for Public Education researched the nearly 5,000 schools, by state, listed in the 2015 database to ascertain their present status. We used multiple resources. Some state education departments list closed charter schools on their websites as part of their publicly available data. Others do not. All provide lists of currently operational charter schools. The National Center for Education Statistics (NCES) database provides a listing of all schools with a unique number, therefore a search by number allowed us to locate

charter schools that were still operational but had changed their names, as well as charter schools that closed and converted back to public schools. We also searched for the school on the internet if doubt remained.

Schools that never opened,²² those on lists of closed schools, those that converted to district public schools, schools that lost their charter and were taken over by other operators and schools that abandoned their charter to merge with another charter were considered closed. All other schools were considered opened.

Given the churn and volatility of the charter sector—including schools changing names, locations, closing and re-opening, and shedding grade levels—it is probable that a small number of schools we list as closed may be open. It is also likely that we missed a small number of charter schools that never opened or have closed. In an effort to ensure accuracy, we had several researchers review each state list. We are confident that our findings are as accurate as possible, given the messiness of the data and the complexity of the research.

What We Learned

Our first report, *Asleep at the Wheel*, underestimated the problem.

We estimated in our first report that about 1,000 recipient charters are now defunct. **However, for the limited years included in the 2015 database, our current research found 1,777 recipient schools that either never opened or had shut down.** Given that the schools listed represent subgrantees during a short span of a 25-year program, it is logical to assume the number of non-operational recipients is in the thousands.

We also estimated the failure rate for recipient schools to be 30 percent. For schools listed in the database, however, our latest review found a **failure rate of 37 percent (1,777 of 4,829 grantees never opened or have shut their doors.)**

Finally, we estimated that one billion dollars was wasted on schools that never opened or opened and later closed. This estimate appears to be accurate. The 2015 CSP database documents total awards of **\$1,794,254,312**. Of that amount, **\$502,468,123** (28 percent of the total amount) was spent on schools that never opened or that have closed. Keep in mind, that the half billion dollar figure only represents waste from grants open during six years of a 25 year program. **Appendix B** at the end of this report lists the state totals spent on charter schools that never opened or no longer exist. That figure represents only those years covered by the database.

The 2015 CSP database documents total awards of **\$1,794,254,312**. Of that amount, **\$502,468,123** (28 percent of the total amount) was spent on schools that never opened or that have closed.

We then added the total annual amounts spent for each program dedicated to providing start-up funding for charters from 1995 through 2018. These numbers can be found on the Department website.²³ According to those figures, \$4,170,995,747 has been spent or committed by the federal government to create charter schools since the CSP program began.

If we apply 28 percent to the total expenditure, the amount is over one billion dollars.

Part II

Where the Wasted Money Went: What We Know and Do Not Know

The largest portion (\$3.5 billion) of the federal Charter Schools Program funding has been disbursed to the states through the State Education Agency (or SEA), which later became the State Entities (SE) program. The SE program allows governors and private charter support associations, in addition to state departments of education, to disseminate the grants.

The Lost Years

During the first decade of the SEA program (1995-2005), about \$1.4 billion was pushed out to the states to distribute to schools via SEA subgrants.

Between 1995-2005, Florida, a state in which nearly half of all charter schools are managed by for-profit corporations, received four grants totaling \$158,353,525. Michigan, where about 80 percent of all charters are run by for-profit management companies, received four grants totaling \$64,608,912. California, which until this year allowed both for-profit charters and for-profit managed schools, received four grants totaling \$190,857,243.

Despite these substantial grants, the Department has no complete record of which schools received funding during the program's early years, because it never required Florida, Michigan, California or any other state to report the names or status of subgrantee schools. The Department's oversight ended when the funds left Washington.

A complete listing of state grant amounts for the lost years appears in **Appendix C**.

What We Learned from the Documented Years

The 2015 CSP database of grants active between SY 2006-07 and SY 2013-14 tells us which schools

received the grants. That database allowed us to determine which schools had received funding and failed and their granted amount received or promised when the data was collected. We did our analysis by state.

Iowa and Kansas have the largest proportions of subgrantees that failed. Eleven charter schools in Iowa received grants. Ten of them failed, wasting over 3.66 million federal tax dollars. Kansas received a grant for \$10 million during these years. According to the database, Kansas doled out \$8.51 million to 29 schools. **Twenty-two (76 percent) of those schools either never opened at all or opened and then shut down.** \$6,389,964 of the \$8.51 million was wasted.

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States with a subgrantee failure rate exceeding 50 percent are: Delaware, Georgia, Hawaii, Iowa, Kansas, Maryland, Mississippi, Virginia and Washington (state). Mississippi had only one grantee. Georgia had 75 grantee charter schools that shut down.

In several states, the cost to taxpayers was enormous. The percentage of defunct charter school grantees in Florida was 37 percent, which represents nearly \$33 million in loss. The Michigan failure rate was over 44 percent. Over \$21 million was wasted. Louisiana has a subgrantee failure rate of 48 percent, amounting to \$26.7 million of grant funds wasted. Georgia is a state where some public schools became charter schools and then became public schools again. When combined

tive version of this map that provides the names, amounts and other information of defunct CSP charter schools in each state. **Appendix B** of this report lists the states, number and percentage of defunct schools and the total amount wasted.

Grant Amounts Vary Dramatically

In addition to the variation in failure rates, the amounts that states distribute as grants to schools vary as well. When it comes to how much a state should award to subgrantees, including to proposed schools prior to authorization, the CSP allows states to do as they wish. We found wildly differing practices at the state level. Although about one in four schools in the database received grants of \$200,000 or less, forty-three schools received grants that exceeded \$1 million. Many of those grants were provided through the CSP's Replication and Expansion program, also known as the Charter Management Organization (CMO) grants.

Although only five percent of all charter schools included in the database received grants through the CMO program, 26 of the 43 charter schools that received over one million dollars from CSP received that funding in part or in full, from federal grant money distributed by CMOs.

The school that received the second largest start-up grant in the database (over \$1.8 million) is **National Collegiate Preparatory** in Washington, D.C. That school is in its last year of operation after the D.C. Public Charter School Board voted to revoke its charter based on, among other factors, dismal student attendance.²⁶ It also has one of the lowest graduation rates in the city. Last year, the D.C. charter board closed **Excel Academy**,²⁷ the recipient of over \$1.4 million in CSP start-up funds. The D.C. public school system took over control of the school.

In addition to large differences in amounts awarded to individual schools, average grants among the states differed as well. For example, the average award in the District of Columbia was \$577,225, while the average award in Oregon was

about half that amount—\$236,539. The wide range in subgrant amounts is not limited to the database years. The 2004 *Public Charter Schools Evaluation Report* noted that the “average school subgrant in 2001-02 ranged from \$20,000 in Rhode Island to \$263,000 in Oklahoma.”²⁸

Understanding the politics and processes behind the distribution of grants is beyond the scope of this report. What is clear, however, is that when it comes to the distribution of billions of federal dollars to charter schools, the U.S. Department of Education provides few rules of the road.

Part III

Following the Money to the Ghost Schools

In 2018, Miona Jones applied for a job with Chrysler in Detroit. She dutifully submitted all the required paperwork, including her high school diploma. Miona's hopes, however, of landing the job were dashed when she learned that her diploma from the Detroit Cares Alternative Academy (DCAA) was worthless. Chrysler could not find any record that the school had ever existed.

According to a press report,²⁹ Detroit Cares Alternative Academy (DCAA) was a contract school under Emergency Management by the City of Detroit. But no record of the school, to this day, can be found on the Michigan State Department of Education website. What is recorded is that during its short existence, apparently from 2007-2012, there was an unsuccessful attempt by its sponsoring organization, DABO, to convert Detroit Cares to a charter school, or perhaps to open a charter school using the same school name.

In 2009, the entity that governed Miona's school, DABO, was awarded a CSP start-up grant of \$160,000 to create a charter school called the Detroit Cares Alternative Academy.

Between 2009-2011, more than \$100,000 of that grant was spent.³⁰ However, none of the grant funding benefitted Miona or her classmates. Most of the money went to fund the salaries of four individuals who had roles in the development of the “proposed” charter school. The Reverend Horace L. Sheffield III is the CEO of DABO. The Reverend listed his title on the CSP budget as the proposed school’s principal. In 2010, he drew 12 salary payments of \$2,094.83 each. He hired two assistant principals and a part-time office staff who also drew salaries for 12 months.

In April of 2010, a grant reviewer at the Michigan Department of Education noted that although “almost half of all the funds have been expended, it appears that almost all of the funds have gone to employ administrators.” Nevertheless, CSP money continued to flow to Reverend Sheffield and his staff. By July of 2011, a reviewer complained of inaccurate data and emails of inquiry being ignored. By that time, \$104,926 dollars had been spent. Finally, in the latter half of 2011, the spigot from which federal dollars flowed was turned off. DABO was no longer eligible to receive any funds having never secured a charter for its school. Detroit Cares Alternative Academy closed the following year.

In total, \$110,000 federal tax dollars were wasted to create a charter school that never came to be. Yet on the list of its major accomplishments,³¹ DABO brags that it “received a Michigan Department of Education Charter Planning Grant and successfully completed all components of Phase I and Phase II with an exceptional rating.”

The enigmatic story of Detroit Cares Alternative Academy is not unique. In October of 2015, the Center for Media and Democracy (CMD) published *Charter Schools Black Hole: CMD Special Investigation Reveals Huge Info Gap on Charter Spending*.³² The CMD report was based on the results of a series of FOIA requests that produced some, but not all, of the names of CSP subgrantees and the amounts they received during the 2010-2015 SEA grant cycles.

The CMD likened the Charter Schools Program to a “black hole” into which federal money disappears. They coined the term ghost schools to describe those schools that had received CSP program money, but never opened to students.

In total, we identified 28 states that had at least one ghost charter school that received a CSP grant. Five hundred thirty-seven (537) schools that never opened received grants. Most of these grants were planning grants. According to the CSP database, those schools received, or were due to receive, a total of \$45,546,552 million. Those 537 subgrantees represent over 11 percent of all of the subgrantees who had received federal grants and were listed in the 2015 database. According to Secretary of Education Betsy DeVos, an analysis of the 2019 data set (active grants from SY 2006-07 - 2016-17) revealed 634 schools, granted over \$70 million did not, nor are likely, to open. For additional details, see Appendix D.

Five hundred thirty-seven proposed schools that never opened received grants. According to the CSP database, those schools received, or were due to receive, a total of \$45,546,552 million. Those 537 subgrantees represent over 11 percent of all of the subgrantees who had received federal grants and were listed in the 2015 database.

In some states, the numbers of ghost schools were startling. States with large numbers of funded ghost schools, some of which are nameless entities, include: Arkansas (18), California (61), Florida (46), Illinois (20), Maryland (38), Massachusetts (17), Michigan (72), New Jersey (23), Ohio (20), Oregon (40), Pennsylvania (41), South Carolina (34), Tennessee (43) and Wisconsin (15).

The Ghost Schools of Michigan: Where the Money Went

According to records we obtained from a FOIA request of the Michigan State Education Department, between 2010 and 2014 alone, \$4,543,272 in federal start-up funds were given to schools that never enrolled a student. The majority of these schools received about \$110,000 each before the spigot of federal funding was shut off. Using the full 2015 CSP database for Michigan schools, we identified 72 schools that never opened receiving grants that totaled \$7,714,020. That number represents 28 percent of all of the Michigan schools in the CSP database.

Above we told the story of Detroit Cares Alternative Academy. Detroit Cares was hardly alone. In an attempt to learn more about how federal dollars were spent, we obtained financial records of the grants received by some of the ghost charter schools of Michigan. Each of these schools had received CSP subgrants exceeding \$100,000 but never opened. Below are four examples of how CSP funds, designed to help kick-start charter schools, were actually spent.

■ The Harris Academy

A nonprofit called **The Potter House Prevention Center** received a grant to open a charter school to be called The Harris Academy. The school's developers drew down \$109,834 from an approved CSP subgrant funding of \$103,834.³³ Of that sum, \$72,965.47 went to Lewis Academy Property Holdings, LLC, a property leasing corporation for which Patricia Lewis was the sole director. Ms. Lewis is listed as one of the project leaders for the formation of Harris Academy; she provided a variety of services including curriculum development.

This was not Ms. Lewis's first venture into charter entrepreneurship. She had also served as the CEO of a previous charter school, Lewis Academy of Excellence in Clayton County, Georgia. It began with a CSP grant of \$405,000. In 2010, Georgia's

Department of Education refused to renew the school's charter due to serious concerns including:

- Probable cheating on the state test of 2009;
- Lewis's listing of the school as a "for-profit" charter school on the school's renewal application. Georgia allows nonprofits only;
- Financial irregularities that included multiple undesignated bank accounts as well as payroll and payroll tax filing problems;
- Lewis being the sole manager of the LLC that leased the property to the school;
- A payment of \$7,500 to an assistant for an unexplained summer camp and for real estate services.³⁴

Lewis withdrew the renewal application and the charter shut down. Ms. Lewis's interests moved north to Michigan. Although Ms. Lewis's company received the lion's share of the Michigan subgrant for the creation of The Harris Academy, another project team member Robert Harris received \$24,892.22 for his services as well.

Notes from the Michigan Department of Education indicate that the department "spent almost a year trying to close this grant" noting the unusual overpayment of \$6,000 above the grant amount. We do not know if that money was recouped. The school never opened.

■ The Great Lakes Anchor Academy

Amy Neibert of Walled Lake, Michigan decided to open a charter school. The former elementary school teacher sought to create and lead a Navy-style academy modeled after the school her son attended in Florida. According to the *Oakland County Times* this new school, referred to multiple times in the article as a private school, would open in the fall of 2014.³⁵

When her bid for a charter was rejected by the local school district, she tried again at Ferris State University, another Michigan authorizer. Ferris State granted the charter. Between 2012 and May of 2013, Neibert's project collected \$109,132.51 from the Charter Schools Program through a Michigan SEA subgrant.

In 2014, the would-be charter school violated the state's open meetings act by not giving the required public notice for several meetings of its board. On another occasion, a board meeting was held in Mangan's Irish Hut, a local bar that shared a parking lot with the trailer that served as an office for the proposed charter school.³⁶ The **Great Lakes Anchor Academy** would not open in the fall of 2014, or 2015 or 2016. In fact, it would never open at all. Where did the grant money go?

Another large share of the grant went to a now-defunct for-profit charter management organization known as Castlebond Enterprises, LLC. Castlebond received over \$47,000 for management services provided to the non-existent charter school.

Payments of over \$31,000 went to Amy Neibert, nearly all of which were made for consulting and curriculum development fees.

Another large share of the grant went to a now-defunct for-profit charter management organization known as Castlebond Enterprises, LLC. Castlebond received over \$47,000 for management services provided to the non-existent charter school.³⁷

■ **Cultivating Growth**

In 2012, Deborah and Mark Prentiss opened a successful charter school for students with disabilities, for which they received a nearly half-million dollar grant. Two years later, they sought

to open another charter school, to be called Cultivating Growth and so solicited and received another CSP grant. Cultivating Growth never opened.

Where did that \$100,000 planning grant go? Similar to other ghost schools, a large share of the planning grant went to the prospective school's founders.

Deborah and Mark Prentiss submitted invoices for compensation totaling \$53,920 during their 2014 attempt to open the **Cultivating Growth** charter school. They also purchased three laptops, a printer and Wi-Fi services that year for \$4,679.11.³⁸ The school never opened its doors.

We have found no evidence that grantees are required to return laptops, printers and projectors they buy with grant funds should their prospective charter school not open.

■ **Warren Classical Academy**

In 2011, Pasquale Battaglia published a post on the blog of the Lapeer County, Michigan branch of the Tea Party in which he announced "The God and Country Education Project." Battaglia planned to introduce American Christian Academies, "a model for a school system that will offer a classical education based on the Judeo-Christian foundations of this America." The schools, which he described as "an education option nearly tuition free and autonomous from the government and the government run public school systems," would be funded by "garnering the support of 2-3 percent of the professed Christians of this country. If that group donated just \$10 per month, every year we could establish 3-5, Pre-K through 12, 1,000+ student schools," wrote Battaglia.³⁹

It's not clear whether Battaglia had many supporters for his Christian schools or was ever able to persuade many to donate money. At some point, though, he abandoned the idea of a chain of private religious schools and decided to open publicly funded charter schools instead.

Michigan blogger Chris Savage reported⁴⁰ that two years after publishing his private school project on the Lapeer County Tea Party site, Battaglia posted a virtually identical announcement on the website for the Brighton Tea Party⁴¹ (Brighton is a suburb of Detroit) for a new venture, American Classical Academies, which would be a tuition-free charter school chain, based on the “American entrepreneurial approach.”

The Network for Public Education reached out to Battaglia in October 2019 about his attempt to open the **Warren Classical Academy**, a charter school whose curriculum would be aligned with the conservative principles in which he believes. Battaglia told NPE’s Carol Burris that he and others had formed a corporation called the American Classical Academy Coalition, which would have as its mission the opening of 13 charter schools. The schools would use the Classical Academy curriculum designed by Hillsdale College, a conservative Christian college. Battaglia described the Hillsdale curriculum to us as “Americentric.”

Battaglia also started ACA Brighton Holdings LLC. During the phone call, Battaglia told Burris that he purchased two unused buildings to rent to the ACA charter schools for lease fees that would be based on enrollment. We were able to confirm the purchase of the closed Lindbom Elementary School by ACA Brighton Holdings LLC, from the Brighton Area Schools for \$1.45 million.⁴² That district would later reject the ACA application for a charter school.

Battaglia never actually obtained authorization for *any* of his schools.⁴³ While attempting to seek charter authorization, Battaglia regularly posted disparaging tweets about President Obama, Mrs. Obama and Islam. Between those tweets and his Tea Party postings, he became a controversial figure,⁴⁴ however he was able to obtain a CSP subgrant. Battaglia told us that as he began planning for the school, he contacted the charter office at the Michigan Department of Education. That office, which he characterized as very encouraging, steered him to Dr. Lorilyn Coggins who told

him about the federal CSP grants. Battaglia’s organization applied for and received a \$100,000 grant to start the Warren Classical Academy.

We obtained the financial records that detailed how those taxpayer dollars were spent. A curriculum consulting group received \$12,000. An entity called CCS Consulting received over \$27,000 for their work investigating facilities. And Lorilyn Coggins, who recommended the grant to Battaglia, received nearly \$28,000 in fees through her companies, Coggins Education Services and American Charter Education Services for consultation provided to the prospective Warren Classical Academy.⁴⁵

Between 2013 and 2014, American Classical Academy spent virtually all of the \$100,000 grant it received from the Michigan Department of Education. As plans for the school disintegrated, the Michigan DOE recouped only \$2,438.10.

Consultants, Consultants, Consultants

Warren Classical Academy was not the only Michigan charter school that paid Lorilyn Coggins and her consulting companies substantial fees, yet never opened their doors. Our review of grants given to ten Michigan ghost charter schools for which we had at least some financial information revealed that four of the ten used Coggins and American Charter Education Services.

■ Americare Services, Inc. paid Coggins and American Charter Education Services \$73,620.50 from a \$110,000 SEA grant to open **Taylor Academy of Aerospace and Engineering**. They also spent over \$1,000 for logo pens although they didn’t have, nor would they ever have, a student who would use one.⁴⁶

■ Friends of Bertha Academy paid Coggins and her company \$54,941.19 to help them open **Bertha Williams Academy**—an effort that ultimately failed. About \$80,000 from their SEA grant would be spent on consultants, and \$13,000 was spent on computers, software and a website. The

remainder of the grant was used for travel, hotel and conferences. The Academy did not open.

■ **The Multi-Cultural Discovery Center** paid Coggins \$13,087 out of a federal CSP grant it received. The school never opened.

We also noticed a consistent group of vendors used by ghost charters that engaged Coggins in their start-up efforts. These vendors included Potem Accounting Software, Hometown Computers and Emerald Data Solutions. Each would receive thousands of dollars for providing services or equipment to schools that never opened to students.

Ms. Coggins' American Charter Education Services was not the only consulting agency we found cashing in on CSP schools that never opened. **Metro Youth Build** gave nearly \$58,000 of its grant to **CS Partners, LLC** a for-profit charter management organization. **Leaders 4 You** spent \$17,562 for the services of **Bold Education Connections, LLC** that included a review of their etiquette program, and \$8,000 to the for-profit **Romaine Group** for managing the grant during their Stage 2 planning.

An extraordinary number of prospective charter schools in Michigan have received CSP grants yet never opened their doors. With so little oversight, it is not surprising that the availability of such grants becomes a magnet for consultants and other individuals who create invoices for providing services that are delivered on an honor system.

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other individuals who create invoices for providing services that are delivered on an honor system. From the records we obtained, it appears that the Michigan Department of Education did no more than rubber stamp invoices. And at the U.S. Department of Education, when it comes to such expenditures, all are apparently blissfully asleep at the wheel.

Although all of the above detail pertains to the ghost schools of Michigan, it is reasonable to assume that some of the same patterns of wasteful spending exist in the other 27 states that hand out money to unauthorized schools. We were just fortunate enough to have access to detailed documents in this state.

Part IV

How the For-Profits Cash In

Arizona is the only state that allows charter schools to be incorporated as for-profit corporations. All other state charter laws require charter schools to be non-profit entities. However, 34 states allow for-profit management companies to contract with charter schools for any and all types of management services.⁴⁷ Two states, California and New York, are phasing out the use of for-profit management companies, although in both states some charters are still managed by for-profits.

According to the federal Charter Schools Program Non-Regulatory Guidance, only a non-profit organization may receive a federal CSP grant or subgrant.⁴⁸ However, there is no prohibition on the grantee school being *managed* by a for-profit company, or a for-profit creating a related non-profit in order to cash in.

In 2017, a CREDO study⁴⁹ reported that nearly one in five (18 percent) of all charter school students are enrolled in charter schools that are managed by a for-profit CMO.

How Does it Work?

When Paul Battaglia wanted to build a charter chain in Michigan, he created the American Classical Academy Coalition as a non-profit entity that would open Warren Classical Academy and the other planned schools. At the same time, he created ACA Brighton Holdings as a for-profit corporation to manage the school and to purchase the real estate that would then be leased to the charter schools. In this case, the profit was to be made primarily through real estate. In other cases, the relationship is far more extensive.

The non-profit charter school is often a pass thru for the for-profit corporation that may provide staffing and curriculum, and/or fiscal, procurement and legal operations. In many cases, the for-profit also serves as the school's landlord. The federal Charter Schools Program does not prohibit these arrangements for grantees.

Florida, where nearly half of charter schools are run by for-profit CMOs, offers numerous examples of charter school operations that are configured to enrich for-profit management companies. A good example is the story of **White Hat Management** and the **Life Skills** charter chain.

The U.S. Department of Education gave over \$14 million to sixteen Life Skills charter schools, managed by the White Hat Management Corporation in five different states. Nine were located in Florida. Grant amounts ranged from \$25,000 to \$705,696. Nearly all that money likely ended up in the accounts of White Hat, a now defunct for-profit CMO that was based in Ohio. Two Miami alternative charter schools that were part of the Life Skills chain paid 97 percent of their income to White Hat Management Corporation, including to a separate White Hat real estate company for lease payments on buildings owned by White Hat.⁵⁰

Despite receiving well over \$14 million in CSP dollars, all of the Life Skills charter schools have now shut down, except for three.

Although we could not identify every charter in the CSP database that was run by a for-profit management company, we were able to identify those that are run by large for-profit chains including Academica, K12, National Heritage Academies and Charter Schools USA. These chains operate schools in several states.

In total, we found 357 schools in the database run by major for-profit chains. These schools had received a total of \$124,929,017 in federal CSP start-up funds. Unsurprisingly, most of this money flowed to for-profit run schools in Florida (\$46,936,979) and Michigan (\$26,452,927). In the case of Michigan, many other schools are run by small for-profits entities. Those grants are not included in our totals.

One hundred eleven virtual or online schools appear in the database as having received CSP grants totaling \$36,153,385. Some are for-profits entities; others are non-profit independent online schools. Thirty-five for-profit managed virtual charter schools received, in total, over \$12 million. Even those that are considered “independent” buy a considerable amount of their services from the big for-profit cyber charter companies K12 Inc. and Pearson's Connections Academy.

Of the \$30 million that the virtual school spent on salary and wages, \$19.4 million went to its instructional staff, and **\$10.8 million was spent on management/general salaries.** The other troubling part of this model is the outcome: student achievement is consistently well below the average for Pennsylvania students.

For example, **Commonwealth Academy Charter**, previously called Commonwealth Connections Academy Charter School, received a CSP grant for \$282,400 to get started. It is technically a non-profit, independent charter school in Pennsylva-

nia. Its 2017 revenue as reported on its most recent IRS Form 990 was over \$130 million, but its expenses that year were only slightly more than \$114 million.⁵¹ It used the services of more than 51 private contractors that each received at least \$100,000. Pearson, PLC received \$24.5 million for the use of its online curriculum.

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It's All About the Real Estate

The relationship between charter schools and their CMOs prompted a special investigation by the U.S. Department of Education's Office of Inspector General (OIG), which conducted an audit⁵³ in three states from 2011-2013. One of the selected states was Florida.

Three of the five Florida charters that the OIG examined belonged to **Academica**, a for-profit charter management company. The audit of the three schools—Excelsior, Mater High and Mater East—found related party transactions that allowed the schools' founders to profit.

For example, School Development Corporation HG II owned and leased a building to Mater High School while School Development East owned and leased a building to Mater East. The Development Corporations were owned by a Panamanian company directed by Fernando Zulueta and his brother Ignacio, the founders of both the Mater Academies and Academica. The details of the complex for-profit web can be found in an earlier investigative report⁵⁴ by the Miami-Dade Public Schools.

According to the OIG, the relationship between Academica and the real estate company was not disclosed to the charter school's board of directors at the time of the original lease, nor was

there any "evidence of a discussion regarding the renewal of the management agreement with Academica or the reasonableness of CMO services or fees." The original real estate transactions took place⁵⁵ while Fernando Zulueta served on the Mater Board.

By 2010, the Zulueta brothers controlled more than \$115 million in Florida tax-exempt real estate, with the companies collecting about \$19 million annually in lease payments.⁵⁶ Many of the charter schools paid rents well above expected rates. Academica not only benefited from renting its real estate, it also sold payroll, employer services, construction services, equipment leasing and school services to the schools.

Fernando Zulueta, who has made a fortune on charter schools, was inducted into the Charter School Hall of Fame by the National Alliance for Public Charter Schools. Eighty-three of Zulueta's Academica-managed charter schools in the CSP database received CSP grants, totaling \$23,426,383.

Considering the complicated web of conflicts of interest and raw profiteering, one would think that Academica would have been scaled back. Not at all. Deep-pocket contributions to Florida lawmakers have apparently shielded Academica and other for-profit CMOs from regulations that inhibit their ability to make a profit off taxpayer funds. Until 2016, Academica's closest ally in the capital was Fernando Zulueta's brother-in-law, Erik Fresen.⁵⁷ Fresen, a former lobbyist for Academica, served as chairman of the House Appropriations Subcommittee on Education even while working as a consultant for a firm called Civica which had contracts with Academica schools. During his eight years in the legislature, Fresen never bothered to file his taxes, resulting in a 60 day prison sentence⁵⁸ after he left office.

Fernando Zulueta, who has made a fortune on charter schools, was inducted into the Charter School Hall of Fame⁵⁹ by the National Alliance for Public Charter Schools. Eighty-three of Zulueta's Academica-managed charter schools in the CSP database received CSP grants, totaling \$23,426,383.

The large sums flowing to schools governed by for-profit CMOs does not include schools run by small for-profit chains, many of which have terrible records. What follows are a few examples.

A Small For-profit CMO Uses CSP Funds to Cash-in Big: CSMI

In 1998, Vahan Gureghian, a Pennsylvania lawyer who runs a billboard company, partnered with the Chester Community Charter School⁶⁰ to open its first campus in the School District of Chester Upland. Gureghian founded a for-profit management company, **CSMI Education Management LLC**, to run the fledgling school.

The school became a cash cow for CSMI. In 2014-15, state data⁶¹ show that Chester Community had the highest administration expenses of any charter school in the state. With total expenditures just shy of \$56.6 million, over \$26.1 million, or 46 percent, was spent on administration, while \$18.8 million, or 33 percent of total expenditures went toward instruction. Since the school was exposed for cheating on state tests 2007-2011, it is one of the lowest performing charter schools in the state.⁶²

With the help of \$600,000 federal CSP dollars, the for-profit chain then moved into New Jersey.

In 2012, the New Jersey Department of Education (NJDOE) was awarded a \$14,472,390 CSP grant. From those funds, Camden Community Charter School, a CSMI-managed school, received \$275,000, and Atlantic Community Charter School, also CSMI-managed, was given \$325,000.

Construction started on the Camden Community Charter School on March 21, 2013. Camden May-

or Dana Redd announced that the charter would be a new "private-public partnership."⁶³ One week later CSMI paid \$300,000 to buy the land⁶⁴ from the Camden Redevelopment Agency—the agency responsible for redevelopment efforts in the city. On April 9, 2013 CSMI sold the property to Education Capital Solutions LLC for \$500,000,⁶⁵ netting CSMI a two-week \$200,000 profit.

Education Capital Solutions is the wholly owned subsidiary of EPR Properties, a real estate investment trust (REIT) that claimed to be⁶⁶ "one of the nation's largest institutional owners of public charter school properties." EPR was involved in the purchase and development of all three CSMI locations.⁶⁷ Its leases are triple net, meaning that the tenants are responsible for nearly all property expenses, thus maximizing the profits of EPR.

In 2016 the school's "operating lease"⁶⁸ was \$1,711,368. The next year it jumped to \$1,871,506, which represents 17 percent of all school revenues.

The 2013-14 school year was Camden Community's first year of operation, and like Chester Community, Camden Community's administration expenses were the highest of any charter school in the state. According to the state's Taxpayer's Guide to Education Spending⁶⁹, administration expenses, which include the payments to CSMI, accounted for 37.8 percent of the budgetary cost per pupil. Only 29.3 percent of its income went to classroom instruction.

With such misaligned budget priorities, it's unsurprising that after only 4 years in operation, the NJDOE notified Camden Community that its charter would be revoked.⁷⁰ The Commissioner's letter regarding the decision stated that in the prior two school years "not a single student in the middle grades met or exceeded grade level expectations in math." The closure notice also claimed that "the school's scores for student academic growth were among the lowest 0.1 percentile in all of elementary schools in the state."

Atlantic Community Charter School, the other CSMI-managed school in New Jersey, remains

open, but is reported to be on probation.⁷¹ According to 2017-18 school board meeting minutes,⁷² the cumulative total management fee that year was \$1,488,072. The Taxpayer's Guide to Education Spending⁷³ ranked Atlantic Community's total administration costs as the highest in Atlantic County and the second highest of any charter in the state, at 34.8 percent of budgetary cost per pupil.

Atlantic Community Charter School is currently embroiled in a whistleblower lawsuit⁷⁴ claiming that CSMI "would compromise the charter school's educational program for money's sake."

Here are some other examples:

■ **East Austin College Prep**, an Austin, Texas charter school made national news when *The New York Times* reported complaints of raccoons and rats invading classrooms, rain pouring in through a leaky roof, and furniture occasionally falling through rickety floors. Yet, according to the report, the charter high school pays almost \$900,000 in annual rent to its landlord.⁷⁵

The school, which received a CSP grant of \$450,900, is owned by Southwest Key Programs, the nation's largest provider of shelters for migrant children who've been separated from their families at the border.

Although Southwest Key Programs and the entity that runs its charter schools—Promesa Charter Schools—are technically nonprofits, Southwest Key has several related for-profit organizations. According to Promesa's 2018 audit⁷⁶, Café del Sol, LLC provided lunch to the school for \$336,166 in 2017 and Southwest Key Green Energy and Construction received \$36,801 from the charter school that same year.

Southwest Key's top employees were paid extraordinary salaries. According to *The New York Times*, Southwest Key founder Juan Sanchez was paid \$1.5 million in 2017. His wife, Jennifer Nelson, earned \$500,000 as a vice president and Melody Chung, the chief financial officer, was

paid \$1 million. All have now resigned as a result of charges of financial impropriety, primarily relating to their network of migrant shelters. But complaints are pending with the Texas Education Agency as well, related to the company's charter schools.

■ **Three Cord Youth Services** located in York, Pennsylvania is not a charter school. It is one of several nonprofits owned by Three Cord, LLC.⁷⁷ The company and all of its subsidiaries, including a real estate firm, are operated by former basketball coach Isiah Anderson, the sole owner and stockholder of the for-profit.

Despite not being a school, Three Cord Youth Services received a \$45,000 subgrant from the CSP. We were unable to find any records on the expenditure of this grant.

Three Cord, LLC also managed a charter school that Anderson founded in 2007, called New Hope Charter School. New Hope received a start-up grant of \$93,660 from the federal Charter Schools Program. According to the contract between the charter school and its management company, Three Cord was to receive 50 percent of all profits generated by the charter school. Anderson also owned the building leased to New Hope Charter School.

From 2009-2012, years in which the school's student truancy rates were high and test scores were abysmally low, New Hope paid Anderson's three companies—Three Cord LLC., Three Cord Youth Services LLC and I Anderson Real Estate a total of \$5.24 million. When the charter school was shut down in 2012, it was revealed that its officials had violated the Public Officials and Employees Ethics Law, Nonprofit Corporation Law and the school's own conflict-of-interest policy.

■ Earlier this year, *The Washington Post* reported on a \$50 million scam involving California online charter schools.⁷⁸ The non-profit charter management company at the center of the scandal is known as **Academic, Arts and Action Charter Academies**, popularly known as A3 Education.

Voice of San Diego details a clear and comprehensive account of how, through the deliberate and fraudulent manipulation of enrollment, A3 was able to fleece millions of dollars from California taxpayers. One of the masterminds of the fraud was CEO Sean Mc Manus. Mc Manus and ten others were indicted in 2019.⁷⁹ But the story begins long before the founding of A3 Education.

From 2009-2015, Mc Manus was the CEO of the Academy of Arts and Science Charter Schools which is where he developed his model of using cash-strapped, small districts as authorizers of online charter schools that draw students from adjoining counties in exchange for fees. The U.S. Department of Education's Charter Schools Program gave start-up funds for 11 Academy of Arts and Sciences charter schools totaling \$2,825,000 from the CSP state grant to California.

■ Marcus May was the owner of the for-profit **Newpoint Education Partners** that operated a dozen Florida charter schools. May and Steven Kunkemoeller also secretly operated as vendors for the schools, using various shell companies that they created to sell furniture and other supplies to their schools for as much as three times the cost. They then laundered and pocketed nearly all the profits.

According to the *Pensacola Journal*, “May increased his personal net worth from about \$200,000 to \$8.9 million between 2010 and 2015, Assistant State Attorney Russell Edgar told jurors at trial.” May was sentenced to 20 years in prison and fined \$5,000,000.⁸⁰ How did Marcus May get his start? The CSP gave seed money for nine of his charter schools totaling \$3,046,128.

Part V

Why Charter Schools Fail

Although the identification of failed charter schools can be accomplished with some effort, finding out *why* the school failed is far more diffi-

cult. Only a few states give reasons and those reasons tend to be reported in broad categories.

One state that does is Michigan.⁸¹ Of the 112 CSP-funded charter schools in the state that are now defunct, 72 never opened, despite receiving federal start-up support, and 40 opened but have since closed. Of those 40, 26 were operated by a charter management organization, generally a for-profit. Although the state notes a variety of reasons for their failure, the most-often cited explanation was financial viability. One might speculate that schools that are paying to keep for-profit corporations happy might have difficulty keeping the schools themselves financially viable.

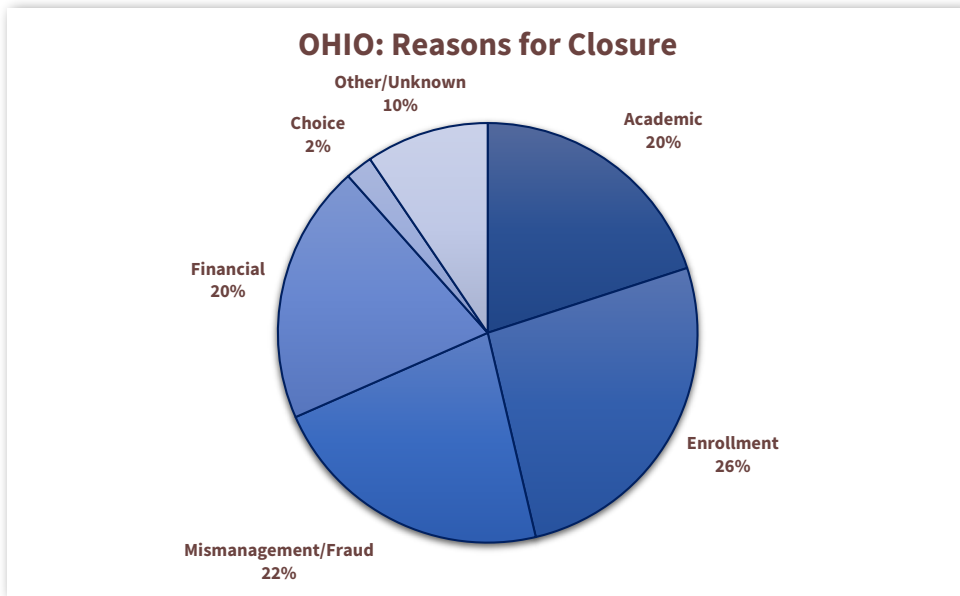
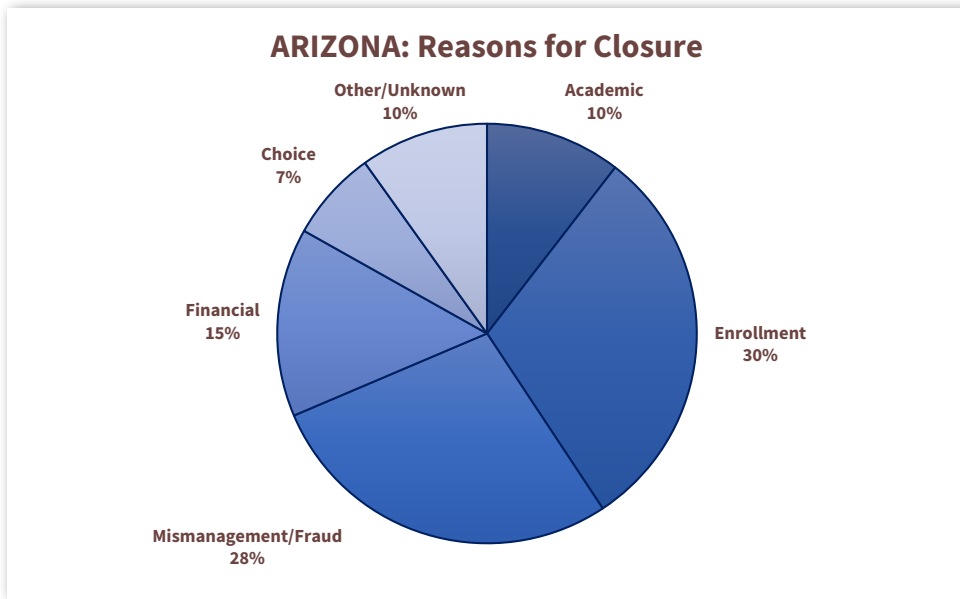
In order to get a more comprehensive look at charter failure, we used a 2011 listing of closed charter schools from the Center for Education Reform (CER), a charter advocacy group that aggressively attacked our first report.⁸² This listing, which was an appendix to a CER report, provides a state-by-state listing of closed charter schools, including an “explanation” for the closure. It groups the reason schools closed in broad categories such as “financial,” “mismanagement,” “district,” “facilities” and “other.”


According to the *Pensacola Journal*, “May increased his personal net worth from about \$200,000 to \$8.9 million between 2010 and 2015, Assistant State Attorney Russell Edgar told jurors at trial.” May was sentenced to 20 years in prison and fined \$5,000,000.

Using the CER database, which we accept at face value for purposes of this analysis, we examined charter failure in two states that have been the recipients of large CSP awards: Arizona and Ohio. According to the 2015 database, Arizona charter schools received \$59,244,464 from CSP. Ohio charters received \$99,551,386.

We reviewed the details provided in the CER appendix, sorting them into specific, and therefore more informative categories: Low Enrollment, Academic, Mismanagement/Fraud, Financial, Choice, and Other/Unknown.

Below are pie charts that provide a proportional representation of the reasons (according to detailed information provided by CER) that charter schools failed in these two states.





In both states, lack of enrollment was the most frequently given reason that charter schools failed--nearly one in three charter schools closed because they did not have enough students to continue.

We were surprised to see how many schools shut down because the operator chose to abandon them. The CER report cited reasons such as “management no longer interested in running charter schools” and “operator surrendered charter citing a wish to pursue other interests.” As such operators “moved on,” the children who attended the school, the staff and the building were abandoned.

We were surprised to see how many schools shut down because the operator chose to abandon them. The CER report cited reasons such as “management no longer interested in running charter schools” and “operator surrendered charter citing a wish to pursue other interests.”

Finally, it should be noted that in the category of mismanagement/fraud, about 20% of the cases in that category in Arizona, and nearly 50% in Ohio were clear cases of fraudulent behavior that ranged from reporting inflated enrollment numbers (which results in increased funding), to outright theft.

Schools That Are There, Then Gone

The database of California’s closed charter schools is a comprehensive list of schools that have opened and failed. That list has 640 entries as of October, 2019.⁸³ Of the schools on the list, 257 (40 percent) did not make it beyond three school years. Seventy-three percent of California’s CSP grantees that opened closed in five or fewer


years. For example, **The Oak Hills Academy** (aka Biggs Public Charter School) received \$214,408 from the CSP. It closed down after two years. The reasons, according to the CER report, included not having an emergency plan, not conducting teacher background checks and faulty supervision of students.

The problem of charter closings goes far beyond the waste of taxpayer funds. When schools go belly up, they leave parents, students and teachers scrambling, sometimes with virtually no notice in the middle of a school year. Families are thrown into chaos as they scramble to find new schools, students find themselves with completely different teachers and classmates, and parents have to make new transportation plans. Teachers and other school employees are suddenly thrown out of work, without income. The district public schools are affected when they have to take in new students mid-year, sometimes needing to add new staff to accommodate the increased enrollment, without having funding in their annual budget.

We began our report with the story of the abrupt closure of Detroit Delta Prep. Below are four other examples of what occurs when charters close abruptly. All of the following were CSP grantees.

■ **City High School in Los Angeles, California** had barely started its second year when it closed its doors in the middle of September 2016⁸⁴ One hundred and sixteen students were left scrambling for a new school. The relationships they formed the previous year would be broken. Teachers, just one month into the new school year, were left unemployed. City High School had opened the previous year with the help of a \$575,000 CSP subgrant.

■ **The Delaware Met Charter School in Wilmington, Delaware** received a CSP grant of \$350,000 but closed just five months into its first school year, forcing 206 students to look for a new school. The school’s first application to open a



charter was rejected due in large part to its plan's inability to show "economic viability," and "concerns about demand for the school."⁸⁵ These anticipated problems became evident when the school opened, in addition to problems with the school's "climate issues," according to a local news report.⁸⁶ "Police say they visited the school 24 times between late August and late November," the story noted.

■ **Prime Prep Academy of Dallas, Texas** was controversial from the start. Even before it opened, the *Dallas Observer* ran a long investigative piece on the prior alleged for-profit charter dealings of CEO DL Wallace, as well as questionable real estate dealings between a Prime Prep charter school and the church in which it was to be housed.⁸⁷ Nevertheless, it received \$600,000 in federal start-up funds through a grant from the Texas Education Agency.

During its tumultuous two and a half years, it was the subject of multiple lawsuits. By 2014, the Texas Education Agency would be investigating conflict of interest allegations, violations of the National School Lunch Program and a failure to conduct employee criminal background checks.⁸⁸

It closed abruptly in 2015 giving students and teachers only *one hour's notice*, while owing money to the IRS, employees and vendors. Even after the school closed, it was the subject of federal and state investigations due to the disappearance of 100 laptop computers purchased with federal CSP charter start-up funds.⁸⁹

■ **Acclaim Academy Charter Schools of Florida** "Surprised parents had to race to pick their children up from an Orange County charter school Wednesday after being told it was shutting down," an Orlando, Florida television station reported⁹⁰ in May 2015. Meanwhile, in nearby Duvall County on the very next day, a local CBS affiliate, *Action News Jacksonville*, reported⁹¹ a similar scene at another charter school: "Parents described a crazy scene ... Only two teachers showed up for work a day before the school permanently closed."

Both schools belonged to the Acclaim Academy charter school chain run by Florida businessman Dennis Mope. A third Acclaim charter in Osceola County, also threatened with closure, had been taken over by the district in the previous month. All three schools were beneficiaries of U.S. Department of Education start-up grants. Acclaim Academy Florida, Inc. received a CSP grant of \$375,000 in 2012, a year before it opened its Osceola campus. In 2013, Academy Charter Duval received a grant of \$175,000, and the following year Acclaim Academy Orange got \$175,000. A fourth award of \$19,198 went to a proposed Acclaim Academy Charter Duval North, which never opened.

Mope envisioned himself as a charter school entrepreneur. He had never been an educator. According to a Jacksonville news outlet,⁹² his primary means of employment had been in real estate businesses, including a firm he still leads called *Schools for Sale*.

Some 360 students at the Osceola school got to finish out the year, but seniors in particular would face significant disruptions⁹³ in their graduation plans and in getting transcripts and other paperwork required for college entrances.

What's often left out of these stories, however, is the ongoing cost to taxpayers—at the local, state, and federal levels—of continuing to float huge sums of money to speculative charter school operations. For twenty-five years, the CSP has enabled such churn as "edupreneurs" with no experience in education received cash from Uncle Sam to open up charter schools.

Wasting the money is bad enough, but what's worse is how federal charter school grants incentivize the kind of serial gifting exemplified by the Acclaim debacle. Throughout this report we have presented examples that are the tip of the iceberg of a national problem that begins with easy access to CSP grants.

Conclusion

In our first report, we noted that despite the warnings of its own Office of Inspector General as well as a critique of the program by the Center for Media and Democracy,⁹⁴ the administrators of the Charter Schools Program either have not learned (or do not care to learn) how to prevent hundreds of millions of federal tax dollars from flowing to schools that never open, should not have opened, or open and then shut down.

Hundreds of millions of dollars sent to states with few rules of the road have resulted in the massive waste of federal tax dollars, as grants were doled out to individuals who had no credentials or experience to open up a new school.

When our first report was issued, we were dismayed that rather than investigate our claims, Secretary DeVos instead dismissed the report as “political.” It became clear that the negligence in the administration of the program was not caused by a lack of awareness or capacity, but was rather accepted practice by the Department when it came to Charter Schools Program grants.

We therefore continued our investigation with three objectives. The first was to move beyond our estimation of waste, and document the amount of federal tax dollars that have been spent on defunct schools. Using the only database of subgrantees that the Department published when we began, we found that **1,777 charter**

schools receiving CSP grants either never opened or had shut down.

Those 1777 defunct schools represent **37 percent** of all of the charter schools in the database of funded schools, and **\$502,468,123** in grants, which in turn represents 28 percent of the entire 2015 CSP database funding. And this may be an underestimate—recent information revealed by the U.S Department of Education indicates that the failed school rate is over 40%.

Our second objective was to determine how it could be possible that such a large number of schools that never opened received funding from the federal government. As we delved deeper, moving beyond our initial focus on California and Michigan, we realized that the problem of funded ghost schools was not limited to those two states; it extended into 28 of the states that had received funding during database years, as well as schools that received funds directly from the department itself through the non-SEA and CMO programs.

In total, we identified 537 proposed schools—11% of grantees—that never opened after receiving grants. According to the CSP 2105 database, those ghost schools received, or were due to receive, a total of \$45,546,552 million.

After gaining access to some of the receipts submitted by the proposers of Michigan ghost charter schools, we identified a pattern of tens of

thousands of dollars going to invoices created by the developers themselves, payments to for-profit consulting and education management organizations, and for the purchase of laptops, printers and desks for schools that had not even been authorized to open.

We have concluded that the practice of allowing unauthorized schools to receive funds, which has been in effect since 2001, has become a magnet for grifters, consultants and charter entrepreneurs who see an easy way to cash-in. While some well-meaning individuals may have applied for and received such grants, their inability to open a charter school, given financial help from federal taxpayers, speaks to their lack of competence, or their community's lack of interest in their project.

We have concluded that the practice of allowing unauthorized schools to receive funds, which has been in effect since 2001, has become a magnet for grifters, consultants and charter entrepreneurs who see an easy way to cash-in.

The responsibility for this waste lies at the feet of both the U.S. Department of Education and the state agencies that do not put their own restrictions on the grants.

Finally, we dug deeper into issues related to those grantee schools that did open, only to close, finding numerous examples of mismanagement and fraud. We also identified the large footprint of the for-profit management industry in CSP-funded schools. We exposed how non-profit charter schools that receive grants can become the fronts that allow for-profits to enrich themselves and expand. We found examples of CSP grantees who folded under the weight of the demands of the for-profit CMO. And we discussed how all of the charter churn facilitated by CSP grants has affected the lives of children and communities.

Additional Concerns

We are also concerned that the program is moving in a direction that accelerates school privatization and encourages the flow of public funds into private hands. Since Betsy DeVos has been in charge, five of the 20 grants from the State Entities program, totaling \$101,571,458 have gone not to state government agencies, but to private organizations whose mission is charter advocacy and support.⁹⁵

They are: the Alabama Coalition for Public Charter Schools (\$25,000,000), the Washington State Charter Schools Association (\$19,960,625), the Arkansas Public School Resource Center (\$23,000,000), Bluum, Inc. (\$17,111,111), and the Oklahoma Public School Resource Center, Inc. (\$16,499,722). In exchange, these agencies are allowed to keep ten percent of the grant funds to administer the grants and supply services. As these private agencies receive grants with an ample attached funding stream exceeding one million dollars for their organization, it is likely that the waste associated with the SE/SEA grants will only get worse. The vested interest of charter advocacy organizations is to push out the money with little or no regard for its impact on public schools.

In addition to opening up the State Entities program to private recipients, the Department's new "National Dissemination" grants have been a financial windfall for charter advocacy groups. The National Alliance for Public Charters Schools received a \$2.38 million grant to create a charter facility center.⁹⁶ Since 2015, that organization has spent \$2.6 million lobbying Congress and the White House, with nearly all of their efforts directed toward increased funding for the CSP program.⁹⁷ The National Alliance was not alone. Eight dissemination grants were offered to private organizations in 2019, totaling \$16 million. Other recipients included the National Association of Charter School Authorizers and the California Charter Schools Association, which has been amply funded by the billionaires of that state. In essence, the Department is now funding groups

that lobby for more funding for the organizations they represent and for themselves.

The CSP program is moving in a direction aligned with the philosophy of Secretary DeVos—the private sector is preferred over the public sector when it comes to the schooling, and the management of schooling, of America’s children.

The recent teacher strikes in West Virginia, Chicago and California focused on more than teacher salaries and benefits. West Virginia teachers walked out to stop the encroachment of privatization in the form of vouchers and charters in their state.⁹⁸ In Los Angeles and Oakland, calls to stop the spread of charters were heard from the picket lines and became part of negotiations.⁹⁹ In Chicago, teachers demanded a cap on charter schools and charter enrollment.

The competition between the charter and public school sector was supposed to be the tide that would lift all boats. Instead it has resulted in public school systems unable to safely stay afloat as that tide pulls needed resources away from their schools and their students.

Chester Community Charter Schools, run by the for-profit CSMI is a case in point. The charter school draws the majority of its students from the financially distressed Chester Upland School District. By law, Chester Community Charter Schools received \$9,182 from the district for each Chester Upland student, and \$35,114 for each special education student attending the charter school.¹⁰⁰ Despite the enormous sum the charter school gets for every child with special needs, it is not required to spend that amount on providing special education services.

Heading into the 2015-16 school year, the Chester Upland School District was bankrupt.¹⁰¹ The district’s \$64 million charter tuition payment was

seen as a major contributing factor in the bankruptcy.

All over the state of Pennsylvania, superintendents are begging for relief. Based on what the district spends per pupil, some pay even higher rates than Chester Upland.

A few states north, in New Hampshire, the Department’s 2019 Charter Schools Program provided a grant to nearly double the number of charter schools in the state, despite clear detriment to its public school system.¹⁰²

The competition between the charter and public school sector was supposed to be the tide that would lift all boats. Instead it has resulted in public school systems unable to safely stay afloat as that tide pulls needed resources away from their schools and their students.

There are now 28 charter schools in a state with only 448 public schools. Nevertheless, in 2019 Secretary DeVos gave the state a whopping \$46 million as a CSP federal grant. In addition to providing support for existing charter schools, the intent is to both expand existing schools and create 27 new charter schools during the next five years.

The state’s present Governor-appointed Commissioner of Education, Frank Edelblut who applauds the grant, homeschooled his seven children. He is a strong supporter of vouchers and charters—and like Secretary DeVos, has no experience in education.¹⁰³ To date, the state legislature, which is worried about the cost to the state’s public schools, has refused to disseminate the grant.¹⁰⁴

Recommendations

Our recent investigation of the Charter Schools Program has provided additional documentation that the program has irresponsibly wasted hundreds of millions of taxpayer dollars in order to engage, over a period of 25 years, in a charter school “experiment” using federal funds. This waste, due to a lack of transparency on the part of the Department, has been largely hidden from the public eye.

If a public school had a dropout rate of 37% with 11% of its enrollees never coming to school for even one day, that school would be labeled a failure. Ironically, 37% of CSP grantees have “dropped out” of existence, with 11% never opening for a day, and yet the Secretary of Education calls the program a success.

The staggering amount spent on schools that have closed or never opened, as well as on those that have engaged in fraud, is nothing short of a national scandal. The for-profit industry has received back door access to these funds and private charter school advocacy organizations with lobbying arms are now cashing in.

As public dollars are diverted from public schools, the students who attend their neighborhood schools have fewer resources. And yet, as a recent study by the Department itself shows, charter school students do not have better academic results on the most objective national measure of learning, the National Assessment of Education Progress (NAEP).¹⁰⁵

We once believed that the Department’s lack of oversight of the hundreds of millions of taxpayer dollars that flow through the program was perhaps due to a lack of resources to carefully monitor grants. We now understand that being “asleep at the wheel” is not an unplanned nap, but rather a deliberate choice by a Secretary of Education who believes that waste and fraud are acceptable collateral damage in order to achieve her ultimate goal, which is to turn our democratically governed public education system into a market-based system of choice, managed by the private sector.

We therefore strongly recommend that Congress end appropriations for new charter school grants in the upcoming budget and continue funding only for obligated amounts only to legitimate projects. Once those grants have been closed, we recommend that the CSP be ended and that charter schools continue to receive federal support only through other federal funding streams such as Title I and IDEA. Students, not charter school entrepreneurs, should benefit from federal funds.

We also recommend thorough audits by Congress of previous grant awards, the establishment of regulations to ensure grant awards still under term are being responsibly carried out and that misspent money is returned to the federal coffers.

Appendix A - A Review of the 2019 CSP Database

The *July 2019 CSP Awards Dataset*¹⁰⁶ is an Excel spreadsheet of active CSP grants during the years of 2006-2018. According to the descriptor provided with the database, “The CSP Awards Database in this Excel file combines the data on CSP subgrant awards provided to schools from grants that were active beginning with SY 2006-07 and collected through the end of 2018. Schools funded by CSP grants that closed prior to SY 2006-07 are not included in this database. As a result, this database is not a complete listing of all schools that received a CSP subgrant award.”

Although the descriptor claims that it includes some grants awarded as early as 2001, there are only 32 subgrants listed for that year totaling \$5,119,772. In 2001, the CSP program distributed approximately \$190 million dollars to the states for new and continuing awards.

Unlike the 2015 database, this list has not been organized by the Department, therefore schools that received multiple grants do not have those grants combined. This results in contradictory information. Some schools have multiple entries. The same school, for example, may have a status of “future” or “open” and appear later in the list with the status of “closed.”

All of the data is self-reported by the states during the period when the grants were distributed. Because school status was never updated by the Department, it is highly inaccurate and misleading. What follows are examples from the State of Arkansas.

Fourteen Arkansas charter school grantees are listed as “open” that are closed. Some were closed as far back as 2010. Others charters have multiple entries, with one entry listing the school as open, and another entry listing the same school as closed. We found errors in other states as well. Schools listed as “will never open” did open; schools listed as “future schools” that never opened; schools listed as “closed” that are open, and scores of schools listed as “open” that are closed.

Because of the high degree of error, we relied on the 2015 database that provided less detail but was organized and reviewed before publication. It is troubling that the Department would choose to publish such inaccurate information in the database of 2019.

Appendix B - A State by State Breakdown

State	Number of Grant Recipients	Number of De-funct Charters	Percentage	Total Spent on Defunct Charters
Alaska	15	2	13%	\$495,350
Arizona	118	31	26%	\$12,630,052
Arkansas	86	41	48%	\$9,970,679
California	802	296	37%	\$101,954,832
Colorado	138	23	16%	\$11,286,712
Connecticut	9	4	44%	\$1,149,868
District of Columbia	62	25	40%	\$15,017,270
Delaware	14	8	57%	\$3,608,806
Florida	503	186	37%	\$33,896,485
Georgia	140	75	54%	\$23,107,708
Hawaii	19	10	53%	\$893,000
Idaho	51	8	16%	\$2,656,135
Illinois	80	29	38%	\$5,348,758
Indiana	101	44	44%	\$18,051,564
Iowa	11	10	91%	\$3,662,045
Kansas	29	22	76%	\$6,389,964
Louisiana	122	58	48%	\$26,665,973
Maine	2	0	0%	\$0
Maryland	99	54	55%	\$7,901,165
Massachusetts	75	23	31%	\$4,672,348
Michigan	257	112	44%	\$21,013,678
Minnesota	129	34	26%	\$9,839,696
Mississippi	1	1	100%	\$175,000
Missouri	29	11	38%	\$4,562,918
Nevada	20	8	40%	\$1,930,682
New Hampshire	23	1	4%	\$498,000
New Jersey	100	42	42%	\$8,226,311
New Mexico	93	30	32%	\$13,727,854
New York	233	22	9%	\$10,451,280
North Carolina	48	9	19%	\$4,429,396
Ohio	293	120	41%	\$36,679,901
Oklahoma	4	0	0%	\$0
Oregon	141	57	40%	\$7,906,590
Pennsylvania	118	50	42%	\$4,380,931
Rhode Island	18	2	11%	\$489,643
South Carolina	115	52	45%	\$6,169,500
Tennessee	121	59	49%	\$7,374,025
Texas	232	72	31%	\$23,941,606
Utah	75	5	7%	\$1,255,364
Virginia	7	5	71%	\$896,029
Washington	6	4	67%	\$1,035,797
Wisconsin	289	132	46%	\$48,119,468
Wyoming	1	0	0%	\$0
Totals	4829	1778	37%	\$502,468,123

Appendix C - The Lost Years

Years	States That Received Grants	Total Amount
1995	Arizona, Colorado, Texas, Louisiana, Massachusetts, Minnesota, Georgia, Oregon, Michigan, California	\$33,732,619
1996	Illinois, Alaska, Connecticut, D.C., Puerto Rico, North Carolina, Florida, Kansas, Wisconsin, New Jersey, Delaware	\$58,017,392
1997	Pennsylvania, South Carolina	\$13,079,357
1998	Louisiana, Massachusetts, Colorado, Texas, Ohio, Minnesota, California, Missouri, Georgia, Michigan, Rhode Island	\$155,865,533
1999	D.C., Delaware, Illinois, Puerto Rico, Alaska, North Carolina, Hawaii, Arkansas, Florida, New York, Connecticut, Virginia, Wisconsin, Idaho, Oklahoma, Oregon, New Jersey	\$154,393,103
2000	Kansas, New Mexico, South Carolina, Pennsylvania	\$47,713,026
2001	Massachusetts, Colorado, Missouri, Michigan, Georgia, Louisiana, Ohio, Nevada, Minnesota, Texas, Indiana, Rhode Island, California	\$286,574,908
2002	Florida, Wisconsin, New York, North Carolina, Illinois, Connecticut, Oklahoma, Arkansas, Utah, Oregon, Hawaii, Idaho, D.C., Tennessee, Delaware, New Jersey	\$205,280,897
2003	South Carolina, New Mexico, New Hampshire, Alaska, Kansas, Iowa, Pennsylvania	\$61,241,834
2004	Michigan, Texas, Maryland, California, Colorado, Missouri, Georgia, Massachusetts, Indiana, Ohio	\$238,375,425
2005	Nevada, Wisconsin, Oregon, New York, Delaware, Minnesota, D.C., Idaho, Utah, Florida	\$221,772,177
	Total 1995-2005	\$1,414,804,437.00

Appendix D - The June, 2019 letter to Congress from Secretary of Education, Betsy DeVos

After the publication of [our first report](#) in March of 2019, Secretary DeVos was asked to respond to Congress on its findings. That response was never made public, but you can now read it on our website [here](#).

After you wade through the Secretary's disparagement of Diane Ravitch and the Network for Public Education, you will find data in her letter that not only supports the conclusions of that second report, but shows them to be an underestimate.

Please read the following paragraph, from that letter, noting the underlined figures.

Since 2001, of the 5,265 charter schools that have received funding through a State entity or directly from the Department, 634 did not open and are unlikely to open in the future. As the developers of these schools received only CSP "planning" funds, which serve the specific purpose of enabling a charter school developer to explore the feasibility of opening a new charter school, the average award size for these schools was significantly lower than the average award size for CSP "implementation" grants and sub-grants. In total, the funds awarded comprise less than 3.5 percent of the more than \$2 billion in total awards made to public charter schools during the same period.


Now let's put these numbers in context.

The Secretary states that 5,265 charter schools have received grants since 2001. Her language is imprecise. The only record of the charter schools that received funding from 2001-2005 are those that were receiving a multi-year grant that was still active during the 2006-2007 school year. Beginning in the 2006-07 school year, the states were first required to provide a list of schools that received the federal grants. Neither she nor her predecessors know which schools received funding outside of the above, a claim we both explain and document in this report.

The number she provides is most likely the number of charter schools that received funding from active grants from the time from which school information was required (2006) until the 2016-17 school year. These are the years for which WestEd, a [research company that has taken a pro-charter stance](#) and that officially monitors the CSP, did an analysis for the Department shortly after our first report. That analysis was based on a 2019 data set that includes a handful of schools that were receiving grants as early as 2001.

We verified the number (5,265) using the recently published [2019 data set](#) provided by the Department. 4,860 schools had a unique NCES revised ID number and 618 schools had no NCES revised ID. From those without IDs, we pulled out duplicate names. From that total (5,478) we subtracted those schools (192) that received grants after the 2016-17 school year. DeVos says that number is 5,265 in her letter. We found 5,286 schools. We defer to the Secretary's number in the discussion below.

What Secretary DeVos neglected to tell Congress in [her letter](#) is how many of those 5,265 grantee schools were still in existence. But the recently published 2019 Overview of the Charter Schools Program prepared for the Department by WestEd does. According to [the overview](#) (see slide 8), 3,138 charter schools that were funded by CSP from active grants from 2006-07 to 2016-17 were open in 2016-17. That means



that 2,127 schools either never opened or closed—which represents 40.4% of all charters that were funded from active grants during those years.

Of the 4,829 grants we reviewed, we say that 1,777 went to schools that never opened or closed—37%. That proportion of failed schools is considerably less than the Secretary’s percentage (40.4%) of defunct charter school grantees.

Now let’s move on to the schools that never opened. According to the Secretary, of those 5,265 schools that received money, 634 never opened and are likely to not ever open up. *That number represents 12% of all grantees.* Our report identified 537 schools that never opened (again during a shorter period of time). According to our report, ghost schools represent 11% of all grantees – less than the Secretary’s percentage.

Finally, the Secretary tells us that “less than 3.5% of the more than 2 billion dollars” granted since 2001 has been granted to charter schools that never opened their doors. The \$2 billion figure is not explained; between 2001-2017, the Department of Education spent \$3.4 billion to fund and expand charter schools. But let’s assume the Secretary is again being imprecise and is referring to schools funded by active multi-year grants from SY 2006-07 through 2016-17, which includes some schools (we estimate about 35) as far back as 2001. That funding figure would be approximately \$2 billion. *3.5% of \$2 billion dollars is a whopping \$70 million dollars.* If she indeed means *all* schools since 2001, \$119 million has been spent on schools that never opened.

The total for grants in the 2015 data set we used for our report is \$1,794,548,157.00. Of that amount, 3.5% is \$62,809,185.50. Our report said \$45.5 million was wasted on ghost schools. Again, it appears as if we did not catch all of the waste. *Still Asleep at the Wheel* makes conservative, careful choices throughout and its bottom-line figures are likely the floor – the most easily identified waste in the CSP program. Waste was also certainly present in the early years when the Department did not even require that school names be reported by the states.

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³ Quote taken from email response sent to Carol Burris from Casandra Ulbrich received November 13, 2019. Burris inquired why the Board had voted to reject the grant.

⁴ The Network for Public Education. (2019, March). Asleep at the Wheel: How the Federal Charter Schools Program Recklessly Takes Taxpayers and Students for a Ride. Retrieved from <https://networkforpubliceducation.org/asleepatthewheel/>

⁵ The 2015 database contains some repeated names, however, each NCES numbers is unique. It was therefore impossible to determine if the school had changed NCES number or was a school with the same or similar name. We counted each as a separate school.

⁶ We obtained information on state grants using the internet archive found here <http://web.archive.org> Entering the url: www2.ed.gov/programs/charter1995awards.html in the site's search bar leads to the archived page. Substituting other years for 1995 produces results for those years.

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²⁰ Network for Public Education (2019, July 8). Freedom of Information Act request to the U.S. Department of Education. Retrieved from <https://networkforpubliceducation.org/wp-content/uploads/2019/10/FOIA-re-CSP-2.pdf>

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