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Report: Federal government wasted millions of dollars on charter schools that never opened

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6-8 minutes

More than 35 percent of charter schools funded by the federal Charter School Program (CSP) between 2006 and 2014 either never opened or were shut down, costing taxpayers more than half a billion dollars, according to a new report from an advocacy group that reviewed records of nearly 5,000 schools. The state with the most charter schools that never opened was Michigan, home to Education Secretary Betsy DeVos.

The report, titled “Still Asleep at the Wheel,” said that 537 “ghost schools” never opened but received a total of more than \$45.5 million in federal start-up funding. That was more than 11 percent of all the schools that received funding from CSP, which began giving grants in 1995.

In Michigan, where the billionaire DeVos has been instrumental over several decades in creating a charter school sector, 72 charters that received CSP money never opened, at a total cost of some \$7.7 million from 2006 to 2014. California was second, with 61 schools that failed to open but collectively received \$8.36 million.

The Education Department did not respond to a query about the findings. DeVos has made expanding alternatives to school districts — including charters and programs that use public money for private and religious schools — her top priority as education secretary, and has said her metric for a state’s education success is how much they expand school “choice.”

Cassandra Ulbrich, president of the Michigan State Board of Education, said in an interview that she found the new report “extremely troubling.”

“It raises some very legitimate questions about a federal grant program that seems to have been operating for years and years with little oversight and very little accountability,” she said.

The report — published by the Network for Public Education, an advocacy group that supports public education and was co-founded by education historian and advocate Diane Ravitch — says the Education Department has failed for years to properly monitor how its charter grant funding is spent. The new findings follow “Asleep at the Wheel,” the network’s March report, which said up to \$1 billion was wasted over the life of CSP on charter schools that never opened or opened and then closed. After that report’s release, congressional Democrats voted to cut millions of dollars from the CSP.

Charter schools are financed by the public but privately operated. Most states require that nonprofit organizations open schools, but some permit for-profit companies to operate the schools. About 6 percent of U.S. schoolchildren attend charter schools. California has the most charter schools and the most charter students; in Los Angeles, 20 percent of children attend such schools. In the nation’s capital, almost half of Washington’s schoolchildren go to charters.

Charter supporters say the 30-year-old movement offers important alternatives to traditional public schools, which educate the vast majority of America’s students, and that the movement is still learning. Opponents say there is little public accountability over many charters and that they drain resources from traditional districts. Research

shows that student outcomes are, overall, largely the same in charter and traditional public schools, though there are failures and exemplars in both.

The federal charter program had bipartisan support for years, but recently a growing number of Democrats have pulled back from the movement, citing the fiscal impact on school districts and repeated scandals in the sector. A number of Democratic presidential candidates have expressed concern about the lack of charter accountability in many states, and Sen. Elizabeth Warren (Mass.), who is running for the Democratic presidential nomination, has pledged to end the CSP.

The new report found:

- The disbursement of more than \$1 billion during the program's first decade — from 1995 to 2005 — was never monitored, and there is no complete public record of which schools received the funds because the Education Department never required states to report where the money went. During that period, California received \$191 million, Florida \$158.4 million and Michigan \$64.6 million.
- The overall rate of failed charter projects from 2006 to 2014 was 37 percent, with some states posting a much higher failure rate. In Iowa, for example, 11 charter schools received grants and 10 failed after receiving a total of \$3.66 million. The failure rate exceeded 50 percent in a number of states, including Georgia, Delaware, Hawaii, Maryland and Virginia. In California, 37 percent failed to open or stay open, after winning nearly \$103 million in CSP funding.
- Although Congress forbids for-profit operators from directly receiving CSP grants, some of them still were able to benefit. The report says 357 schools in the database were run by for-profit chains, for a total cost of \$125 million in federal CSP start-up costs. Most of that money was spent in Michigan and in Florida.

The report — whose lead author is Carol Burris, executive director of the Network for Public Education and a former award-winning New York principal — reviewed all of the nearly 5,000 schools listed in a 2015 database released by the federal government, the latest such data published by the Education Department. That database covers 2006 to 2014, when CSP awarded a total of \$1.79 billion. Of that amount, \$505 million — or 28 percent — went to schools that never opened or that closed.

In Michigan, 40 charter schools opened with CSP money and then closed. About 80 percent of charter schools are operated by for-profit companies with what Ulbrich said was unusual impunity. For example, she said, the new report details how some Michigan charter operators took some of the grant money for their own use. "I don't know of a lot of federal grants that people get where they can turn around and divert the money into their own pockets," she said.

The board she leads voted this summer to stop a \$47 million grant for the state from CSP, in part because it had not given consent to the state Education Department to pursue it and because its members had reservations about opening new charters when school enrollment in the state had been declining for 17 years. The state's attorney general, however, ruled that the money could be disbursed.

Other states with large numbers of never-opened schools receiving CSP funds include Florida, 46; Pennsylvania, 41; Oregon, 40; Maryland, 38; South Carolina, 34; and New Jersey, 23.

Here's the report: