

# The Ugly Charter School Scandal Arne Duncan Is Leaving Behind

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US Secretary of Education Arne Duncan's surprise announcement to leave his position in December is making headlines and driving lots of commentary, but an important story lost in the media clutter happened three days before he gave notice.

On that day, Duncan rattled the education policy world with news of a controversial grant of \$249 million (\$157 the first year) to the charter school industry. This announcement was controversial because, as [The Washington Post](#) reports, an [audit](#) by his department's own inspector general found "that the agency has done a poor job of overseeing federal dollars sent to charter schools."

Post reporter Lynsey Layton notes, "The agency's inspector general issued a scathing report in 2012 that found deficiencies in how the department handled federal grants to charter schools between 2008 and 2011" – in other words, during Duncan's watch.

Even more perplexing is that the largest grant of \$71 million (\$32.5 the first year) is going to Ohio, the state that has the [worst reputation](#) for allowing low-performing charter schools to divert tax money away from educational purposes and do little to raise the achievement of students.

A number of Ohio officials were shocked by the news.

As a different article from [The Post](#) reports, Democratic Party Representative Tim Ryan "was alarmed" by the Education Department's decision. Ryan called his state's charter school sector "broken and dysfunctional."

[Ted Strickland](#), an ex-Governor and now Democratic candidate for a US Senate seat in Ohio, wrote Duncan a letter telling him to reconsider the Ohio grant. "Too many of Ohio's charter schools are an embarrassment," he states. Strickland quotes from a recent [study](#) showing charters in his state perform significantly worse than public schools. He points to a recent [scandal](#) in which the person in the state's department of education responsible for oversight of charters had to resign because he was caught "rigging the books."

Even Ohio Republicans are disturbed about Secretary Duncan's generosity to charter schools in the Buckeye State. Like a parent who sees a visiting relative doling out chocolate bars to an already stimulated child, State Auditor Dave Yost

quickly stated his concerns about the new charter school largesse to the media and his intention to track how the money is spent. Yost should know. An audit he conducted earlier this year found charter schools in the state mispend millions of tax dollars.

“Why is the Department rewarding this unacceptable behavior,” Strickland asked in his letter.

### **Money For What?**

Certainly throwing unaccounted for federal tax money at charter schools is nothing new.

A recent report from the Center for Media and Democracy found that over the past 20 years the federal government has sent over \$3.3 billion to the charter school industry with virtually no accountability. That report notes “the federal government maintains no comprehensive list of the charter schools that have received and spent these funds or even a full list of the private or quasi-public entities that have been approved by states to ‘authorize’ charters that receive federal funds.”

But Secretary Duncan has been particularly generous to charter schools. One of the conditions states had to meet to win a Race to the Top grant, his signature program, was to raise any caps they may have had on the number of charter schools allowed to operate in the state. His department warned states receiving waivers to the onerous provisions of No child Left Behind not to do enact any new policies that would undermine charter schools’ “autonomy.”

Congress has done its part too, raising the amount of federal money going to charter schools through the Charter School Grants program.

The CMD report cited above calculated that the feds are expected to increase charter school funding by 48 percent in FY 2016, which would have been Duncan’s last year on the job. That’s about \$375 million more for charters estimates journalist Juan Gonzalez.

Yet at the same time federal support for charter schools continues to grow, revelations increasingly show the results of that spending are frequently disastrous.

### **Dollars For Disaster**

A recent report from the Center for Popular Democracy and the Alliance to Reclaim Our Schools (AROS) uncovered over \$200 million in “alleged and confirmed

financial fraud, waste, abuse, and mismanagement” committed by charter schools around the country.

The report follows a similar report released a year ago by the same groups that detailed \$136 million in fraud and waste and mismanagement in 15 of the 42 states that operate charter schools. The 2015 report cites \$203 million, including the 2014 total plus \$23 million in new cases, and \$44 million in earlier cases not included in the previous year’s report.

Authors of the report called \$200-plus million the “tip of the iceberg,” because much of the fraud “will go undetected because the federal government, the states, and local charter authorizers lack the oversight necessary to detect the fraud.”

Adding to concerns over how federal funds for charter schools are used, [state audits](#), like the one conducted in Ohio, have also found widespread financial fraud and abuse committed by these schools.

Although the CPD-AROS report made policy recommendations for mandatory audits of charters and increased transparency and accountability for these schools, none of those recommendations seem to have gotten any attention, much less action, from Duncan and his staff.

### **A Process Cloaked In Mystery**

Both the ends and the means of federal grants to charter schools remain mostly a mystery. Not only do we not know what happens to most of the money; we don’t know how recipients for the money are chosen.

As CMD’s Jonas Persson writes on that organization’s [PR Watch](#) blog, “The public is being kept in the dark about which states have applied for the lucrative grants, and what their actual track records are when it comes to preventing fraud and misuse ... The U.S Department of Education has repeatedly refused to honor a CMD request under the Freedom of Information Act for the grant applications, even though public information about which states have applied would not chill deliberation and might even help better assess which applicants should receive federal money.”

Also unknown are the names of the “peers” who review applications for the grant money.

How Ohio became chosen for more charter school money is especially enigmatic, not only because of the bad reputation of the state’s charter schools, but also because of the circumstances of how the state’s application was pitched to Duncan

and his staff.

Soon after the announcement of the grant, the [Akron Beacon](#) reported a Ohio Department of Education official who helped obtain the \$71 million in federal money was the very same official who resigned in July “after manipulating data to boost charter schools.” The official resigned a mere two days after filing the grant application.

What’s also interesting about the new federal grant money for Ohio charters is its timing.

### **Was Money Timed For Youngstown Takeover?**

As the Beacon report notes, “The additional federal dollars come as the Ohio Department of Education decides how to distribute \$25 million set aside by state lawmakers to help charter schools pay rent, purchase property, or renovate buildings. The money is yet one more assist to charter-school proponents in need of a building. Rent and building acquisition are two of the biggest deterrents to start-ups.”

The grant to Ohio also seems especially well timed to the targeted takeover of one of the most troubled school districts in the state, Youngstown.

As a recent report in [Belt Magazine](#) explains, “The Youngstown City Schools, which could lay claim to the title of the worst school district in the state ... had been under academic distress for the past five years. Enrollment had dropped 21 percent since 2010.”

This summer, a House education bill with bipartisan support was about to sail through the legislature when State Senator Peggy Lehner, the chairwoman of the Senate Education Committee, suddenly introduced an amendment.

“The amendment,” Belt reporter Vince Guerrieri recounts, “informally dubbed ‘the Youngstown Plan,’ allows for the dissolution of the academic distress commission of any district that’s gotten an F grade for three years in a row or has been under academic distress for at least four years. Youngstown is the only school district that meets that qualification.”

“Within 12 hours of the introduction of the amendment, it had passed the legislature,” Guerrieri writes.

The fast-tracked legislation sets up, according to an [NPR outlet](#) in the state, “a five

member Academic Distress Commission with a three member majority chosen by the state school superintendent. That group then appoints a CEO with extraordinary powers. He could not only change the collective bargaining agreement with teachers but also create or contract with charter schools.

State school board member Patricia Bruns – a Democrat – says bypassing local elected officials including the school board is unconstitutional. ‘Their idea is to take over the schools, dismantle what’s there, and dole them out to private, for-profit charters.’

So was the federal grant to Ohio timed to pay for the take over of Youngstown schools?

That’s the question Ohio edu-blogger and public school advocate [Jan Resseger](#) wants answered. She points to an article by [Akron Beaconeducation](#) reporter Doug Livingston who alleges the new funding for charter schools in Ohio is “designed specifically to pay for the fast-tracked state takeover of the Youngstown schools.” Livingston backs up his claim with a quote from Arne Duncan’s press secretary Elaine Quesinberry who confirmed, “that the Ohio education officials filled out the grant application with the intent to direct money to charter school startups in academic distressed areas. Only two, Youngstown and Lorain, currently fit that description.”

### **What ‘Reform?’**

Meanwhile, as the House bill containing the Youngstown Plan passed with extraordinary haste, another bill to make charter schools more transparent and accountable remained mired in contentious through the summer recess. That bill now seems likely to get approved by the legislature, based on reports received at press time. But “there’s no clear magic bullet” in the bill, according to a [Cleveland news outlet](#), at least in terms of reforming charter schools in the state.

“The bill makes several small changes,” the reporter contends. “Private and for-profit charter school operators will have to provide more information to the public about how they spend tax dollars they are paid to run the schools.” But “the books won’t be anywhere near as open as a public school district’s.”

Also, what amounts to accountability for charters seems especially weak under the provisions of the new law. “The Ohio Department of Education will start to publicize which operators run each school and give information to the public about the

academic performance of the schools that each operator runs. That will let families know the track record of the people running a school.” It will? How many families will dig into state reports to make decisions about where to send their kids to school?

### **A Hands-Off Policy For Charter Schools?**

For his part, Secretary Duncan seems little interested in how new federal grants to charter schools will be spent, saying it’s “largely up to states and the public agencies that approve charter schools,” according to the Post article cited above. “At the federal level, we don’t have a whole lot of leverage,” he mused.

This seems an oddly resigned comment from an education secretary whose department has made the minute scrutiny of state policy governing nearly everything having to do with public education – from standards, to teacher evaluations, to tutoring requirements.

Why would a secretary so often accused of leading an unprecedented overreach of federal intrusion in state education policy suddenly become so nonchalant about oversight of charter schools?

It certainly doesn’t help dampen suspicion that Duncan’s replacement as acting secretary will be John King, the controversial former New York State Education Commissioner, who has deep ties to the charter school industry.

Before becoming New York Commissioner, King helped to found and operate a charter school management organization with schools in New York, Massachusetts, and New Jersey.

Because King will be acting secretary, no nomination process or Congressional hearings will be needed to approve the leadership change.