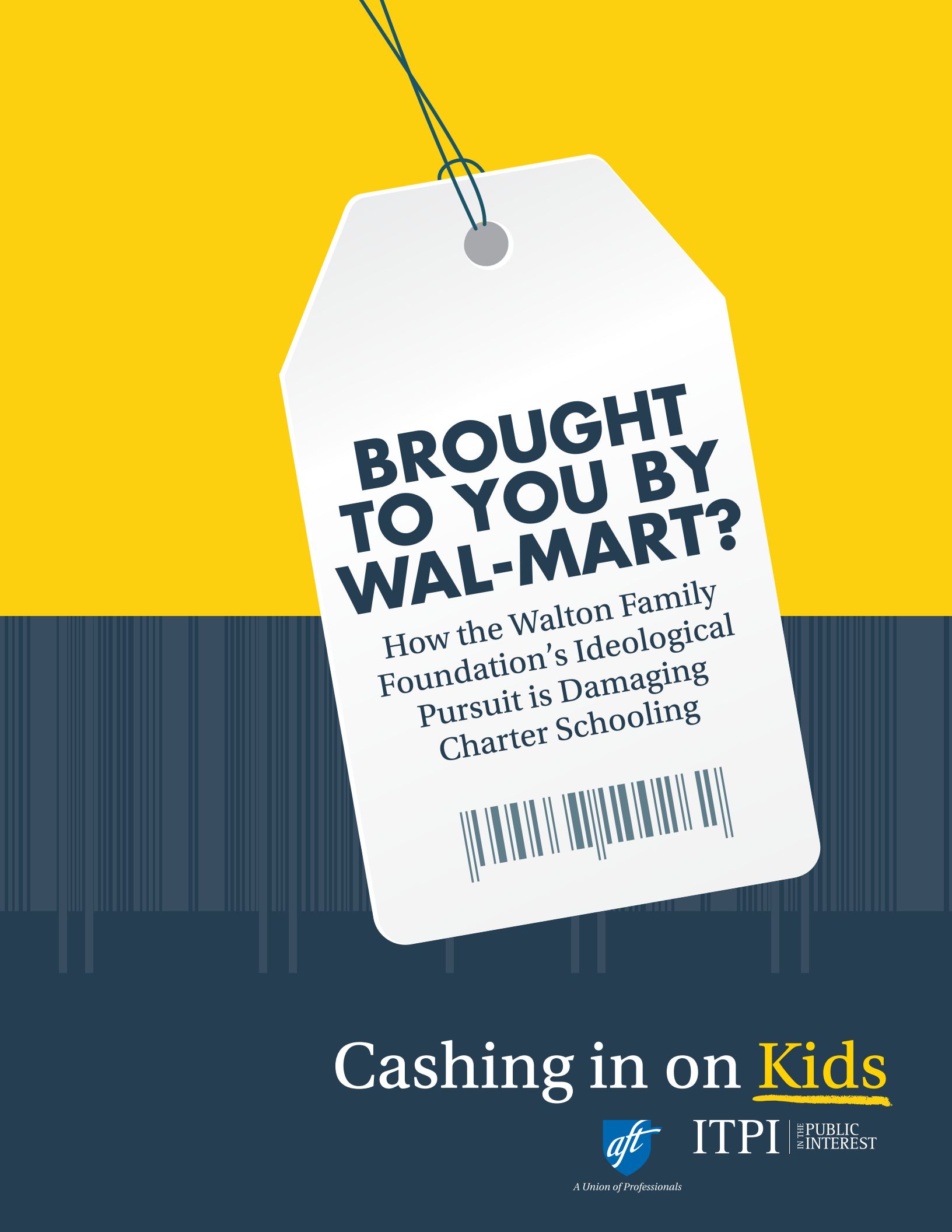
BROUGHT TO YOU BY WAL-MART?
How the Walton Family Foundation's Ideological Pursuit is Damaging Charter Schooling
Cashing in on Kids
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A Union of Professionals
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IN THE PUBLIC INTEREST

ABOUT CASHING IN ON KIDS

We believe the American public school system should serve all students and prepare them to be good, productive citizens. Our public schools are the essential foundation of a functioning democracy and a healthy economy and require public control and vigilance to protect the common good and advance our broad public interests.

Parents, teachers, students and taxpayers should have a strong voice in how we run our schools and educate our nation's children. Our tax dollars belong in our classrooms and provide resources that teachers, students and communities need to create a healthy, vibrant and secure nation.

Cashing in on Kids conducts research and public education programs designed to help ensure that public schools put the students' interest above corporate interests that are increasingly taking control of public education policy and institutions. Six critical elements are necessary to meet this goal: transparency, accountability, quality, oversight, equity and public control. This website includes examples of charter schools, many of them run by for-profit companies, that lack these critical elements and, as a result, do a poor job of serving students and taxpayers. We highlight the problems with these charter schools because we believe policymakers must ensure that these principles guide all public education decisions and must also provide rigorous oversight of for-profit and non-profit charter schools. Cashing in on Kids isn't only about highlighting problems – we also will include examples of thoughtful education policies, good practices and effective schools.

IN THE PUBLIC INTEREST

In the Public Interest is a comprehensive resource center on privatization and responsible contracting. It is committed to equipping citizens, public officials, advocacy groups and researchers with the information, ideas and other resources they need to ensure that public contracts with private entities are transparent, fair, well-managed and effectively monitored, and that those contracts meet the long-term needs of communities.

AMERICAN FEDERATION OF TEACHERS

The American Federation of Teachers, an affiliate of the AFL-CIO, was founded in 1916 and today represents 1.6 million members in more than 3,000 local affiliates nationwide. The AFT is a union of professionals that champions fairness; democracy; economic opportunity; and high-quality public education, healthcare and public services for our students, their families and our communities.

BROUGHT TO YOU BY WAL-MART?

How the Walton Family Foundation's Ideological Pursuit is Damaging Charter Schooling

There was a sour breeze blowing through the nation's charter schools in 2014.

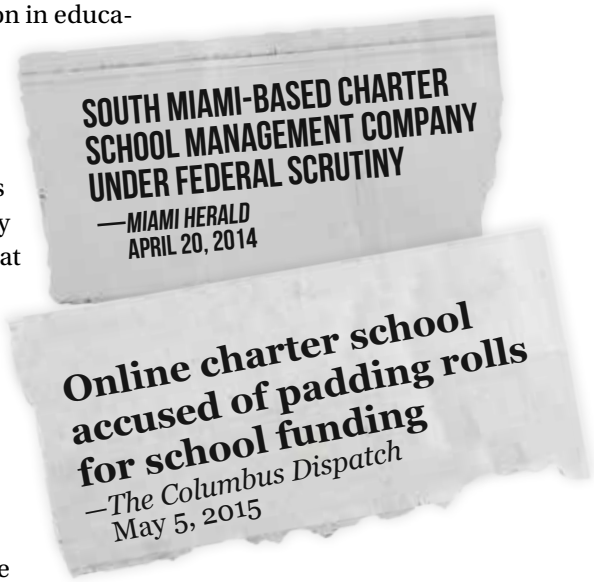
Twenty-five years into our nation's experiment with independently operated, publicly funded charter schools, the news didn't look good: In May, a new report revealed more than $100 million in fraud, waste and abuse in just 15 of the 43 states that allow charters. (A year later, the report was updated, and the figure rose to $200 million.) Some of the stories defy belief: a school in Philadelphia that was doubling as a nightclub after hours; school operators embezzling millions to pay for high-flying lifestyles; real estate developers cashing in by using public funds to leverage sweet deals on millions of dollars' worth of property. One after another, the stories emerged. And public officials around the country began to call for change.

In Connecticut, the state Department of Education announced new policies to govern oversight of the state's charter sector.[1] In New York, the charter lobby continued a seven-year fight to prevent the state comptroller from auditing charter schools.[2] In Pennsylvania, the auditor general called the charter sector "a mess."[3]

How did an idea that promised small-scale innovation as a way to improve the education outcomes of disadvantaged children become a massive industry of more than 6,000 schools, spending upward of $20 billion from taxpayers a year, despite demonstrating no significant academic gains for students?

A significant share of the blame lies at the feet of the Walton Family Foundation (WFF), the Arkansas-based philanthropic arm of the family that brought us Wal-Mart.

When it comes to public education, the Walton Family Foundation is the largest philanthropic donor in the U.S. after the Bill & Melinda Gates Foundation. Gates also supports charter schools, but the Walton Family Foundation ($164 million in education grants in 2013) stands out because of its uncompromisingly ideological approach to public education and its strong support for policy advocacy in line with that approach. And as the tower of cards began to shake, it is the Walton Family Foundation that—more than any other—should take the blame.



This report explores the radical agenda of the Walton family and the foundation it controls, and how that agenda has taken the U.S. charter school movement away from education quality in favor of a strategy focused only on growth. Under the guise of "choice" to improve schools for low-income children, WFF has supported the unregulated growth of a privatized education industry—quantity over quality, and "freedom" over regulation. It's been lucrative for some, but a

disaster for many of the nation's most vulnerable students and school districts.

THE WAL-MART WAY: INTENSELY IDEOLOGICAL AND MARKET-DRIVEN

Sam Walton and his brother, Bud, founded Wal-Mart and got rich. Really rich. Sam Walton and his wife Helen's four children (along with their families) now share in what is estimated to be a collective worth of $150 billion. Of the 10 richest Americans according to *Forbes* magazine, four are members of the Walton family.

"Charters are competitors. They steal customers, deplete revenues and increase costs. When charters siphon off kids, they not only take the money that comes with them, they often cause nearby schools to operate under capacity."

The Walton Family Foundation was established in 1988 and is based in Bentonville, Ark., the home of Wal-Mart. The late John Walton, who died when the small plane he was piloting crashed in Wyoming in 2005, his widow Christy, and brother, Jim Walton, shared in the leadership of the family foundation. John, more than the others, crafted the foundation's agenda. Carrie Walton Penner, the daughter of Sam Walton's eldest son Rob, and her husband, Greg Penner, have also been instrumental in the family's education work, sitting on the boards of numerous education advocacy and charter organizations and giving generously to the political campaigns of like-minded politicians from their $20 million home in Atherton, Calif. Alice Walton, the youngest of Sam and Helen's four children, is best known as an arts collector. But she, too, doesn't hesitate to lay down some cash in the political arena when the family's education agenda is at stake.

The foundation's stated mission is to infuse public education with competitive pressure through school choice. The theory is based in retail: If consumers have options, they will choose either higher quality or cheaper products. Merchants who can't compete will go out of business, opening up space for new entrepreneurs to enter. Through this constant churn of options, the theory holds, quality will improve across the board. In public education, that means flooding the market with schools, aggressively closing those that are labeled as "failing," and opening up pathways to allow new school operators to take their place.

The Walton Family Foundation holds this theory dear, and has relentlessly pressed for the rapid growth of privatized education options (vouchers and charters) and against any government intervention (read: regulation) that might deter entry into the education market by anyone with an idea to try out.

Although the foundation implies that this market-based model will lead to the improvement of *all* schools in a system, a different endgame is clear through its philanthropic portfolio: The foundation endorses the eventual elimination of public education altogether, in favor of an across-the-board system of privately operated schools.

If the principals of the Walton Family Foundation decline to state publicly that their press for deregulation and rapid expansion is designed to undermine and eventually dismantle public education, their grantees have been more than willing to do so:

> *"Charters are competitors. They steal customers, deplete revenues and increase costs. When charters siphon off kids, they not only take the money that comes with them, they often cause nearby schools to operate under capacity. This increases inefficiencies and per-student costs because all that empty space still must be maintained.*
>
> *As charters continue to expand, they will force districts to make more and more tough choices on personnel, closing schools and redrawing attendance boundaries, both political poisons. We are seeing this play out in spectacular fashion in some older urban areas."*[4]

That's Mike Thomas of the Foundation for Excellence in Education (FEE) arguing that Florida should allow more rapid expansion of the charter sector not despite, but *because of*

the "spectacular" negative impact this expansion is having on traditional public schools and the children who remain in them. Founded by former Florida Gov. Jeb Bush, FEE has received more than $4.8 million from the Walton Family Foundation since 2009.

But the most chilling articulation of the Walton agenda came in a 2008 article published in *EducationNext*.[5] The article, called "Wave of the Future," was written by Andy Smarick, who has worked for a number of Walton-funded entities. Smarick, too, calls for the replacement of traditional public school districts:

> *"... The only course that is sustainable, for both chartering and urban education, embraces a third, more expansive view of the movement's future: replace the district-based system in America's large cities with fluid, self-improving systems of charter schools."*

Toward the end of his article, Smarick offers a "road map" for destroying public school districts. It includes a saturation investment strategy to build market share in a few targeted districts. Once the charter sector reaches a tipping point in student market share, he predicts, traditional districts will no longer be financially or politically sustainable:

> *"As chartering increases its market share in a city, the district will come under growing financial pressure. The district, despite educating fewer and fewer students, will still require a large administrative staff to process payroll and benefits, administer federal programs, and oversee special education. With a lopsided adult-to-student ratio, the district's per-pupil costs will skyrocket.*
>
> *At some point along the district's path from monopoly provider to financially unsustainable marginal player, the city's investors and stakeholders—taxpayers, foundations, business leaders, elected officials, and editorial boards—are likely to demand fundamental change. That is, eventually the financial crisis will become a political crisis. ..."*

So much for improving all schools. Smarick's article offers a road map for the dissolution of public school systems. The Walton Family Foundation seems to be using that map in its giving strategy.

The foundation's education program pursues this endgame through three major program areas: support for vouchers, both publicly and privately funded; support for charter school start-ups to encourage and enable the rapid growth of the sector; and public policy advocacy, to ensure that the road is clear for expansion with minimal regulatory interference.

A description of the foundation's giving in each of these areas follows.

VOUCHERS: DIRECT FUNDING FOR PRIVATE SCHOOLS

The Walton Family Foundation's flagship strategy for transforming public education was (and continues to be) to allow taxpayer dollars to pay private school tuitions for selected students. The nation's first publicly funded voucher program was launched in Milwaukee in 1990. That same year, John Walton helped create the Alliance for School Choice, a national umbrella group for state-based voucher advocacy organizations (many of which are funded by the WFF).

"As chartering increases its market share in a city, the district will come under growing financial pressure. The district, despite educating fewer and fewer students, will still require a large administrative staff to process payroll and benefits, administer federal programs, and oversee special education."

As other states established voucher programs, the Waltons' support—both personal and through the foundation—was instrumental. When the Ohio Legislature created a pilot voucher program in Cleveland in 1995, the Walton Family Foundation funded new private schools and an advocacy organization, HOPE for Cleveland's Children, which helped recruit and place students in them (WFF gave the organization

$1.8 million between 1996 and 1999). When the Cleveland program was challenged in court later that year, John Walton personally helped bankroll the defense. He also contributed $2 million to Michigan's 2000 voucher ballot initiative.[6] Multiple state-level voucher advocacy groups have been created and endowed by the foundation.

In 2013, the Walton Family Foundation announced that it would provide $6 million to the Alliance for School Choice to double the number of students in the U.S. attending private schools with publicly funded vouchers.

In addition to publicly funded voucher programs, the foundation offers significant support to so-called voucher-lite programs that offer corporations and investors generous tax credits in exchange for contributions to a scholarship fund that covers tuition costs for low-income families that enroll their children in private schools. These programs have been created in states where public and policymaker sentiment against direct public funding for vouchers has blocked their use. It's important to note, however, that these tax credit programs strip millions of dollars from public coffers that would otherwise be available to public schools. In 1998, John Walton co-founded the Children's Scholarship Fund, which works through partner organizations in 22 cities to manage and distribute tax credit-funded vouchers. The organization has received more than $223 *million* in WFF support since its founding.

Both the Alliance for Children and the Children's Scholarship Fund continue to thrive, with affiliates in dozens of states. However, despite the recent adoption of vouchers in some states, such as Indiana, and the ongoing availability of both publicly and privately funded vouchers elsewhere, the idea of using public dollars to help kids attend private schools hasn't been as appealing to the general public as it is to the Waltons. Public opinion polling has consistently shown majorities of Americans opposed to public funding of school vouchers.[7] The Waltons needed a back-door approach to privatization. And that back door opened in 1991 with the passage of the nation's first charter school law.

CHARTERS: USING PUBLIC FUNDS AND PRIVATE OPERATORS TO CORNER THE MARKET

The idea of chartered schools as incubators for education change was put forward by progressive educators and teachers union leaders. Early charter enthusiasts believed that granting a small number of public schools the freedom to innovate with instruction, ways of grouping students, the use of time and other education strategies would allow the development of practices that might better serve disadvantaged students. The assumption was that successful strategies then could be brought to scale in public districts.

To the Walton family, chartering offered a compromise to politically unpopular vouchers, and a way to take privatization to scale.

The Waltons' theory of change asserts that the quality of individual schools will improve as options grow. The foundation is the largest private funder of charter school start-ups, having spent more than $355 million since 1997 on charter launches. In a news release dated Feb. 5, 2014, Mark Sternberg, the foundation's director of Systemic K-12 Education Reform reported that the foundation has kick-started more than 1,500 schools, approximately one out of four charters in the country.[8] Over the last five years, the foundation has spent between $63 million and $73 million annually to fuel new charter openings.

The Waltons concentrate much of their effort on charter operators that have the capacity to scale up their schools rapidly. In 2000, the foundation helped launch the Charter School

Growth Fund, which offers start-up and facilities financing, multiyear program grants, technical and other supports to a select number of charter networks each year. The purpose of the fund is clear: Recipients are evaluated based on their ability to expand. The Walton Family Foundation has invested more than $101 million in the growth fund since its inception.

In 2010 (two years after Andy Smarick recommended a targeting strategy to flood vulnerable markets with privatized charter schools), the Walton Family Foundation moved to consolidate its funding in what it called "market share demonstration sites" (now simply called "investment sites"). In these districts—there were 16 in 2014—the foundation concentrates funding to create new schools with advocacy efforts, support for the recruitment and training of new teachers (primarily through Teach for America) and other programs.

To further pave the way for rapid growth, the foundation funds a large network of aggressive policy advocacy organizations that work to ensure the market is open for business.

ADVOCACY FOR DEREGULATION

After its funding for charter start-ups, the Walton Family Foundation's second largest education program area is for shaping public policy. The foundation has spent nearly $280 million since 2009 to support advocacy organizations in more than 30 states. These state charter and voucher associations, think tanks and advocacy groups work to ensure that state laws are privatization- and growth-friendly.

The groups can be counted on to lobby in two main policy areas:

Opposing Limits on Growth

Fundamental to the Waltons' belief in an unfettered market is opposition to any limits on the number of charter schools allowed in a given state or district. In the early years of chartering, many state legislatures placed caps on growth as a way to maintain control over the quality of the schools. WFF grantees have doggedly opposed these caps. In fact, the (Walton-funded) National Alliance for Public Charter Schools declares that having no limit or caps on the number of charter schools in a state is the No. 1 "essential component" of a model charter law. With help from the Obama administration, which made lifting charter caps a criterion for states to receive federal Race to the Top grants,[9] 15 cash-strapped states removed charter caps in 2009. In 2013, three additional states removed caps.[10]

Opposing Regulation

The original intent of "flexibility" for charter schools was to allow experimentation with education practices. For the Walton family, any regulation is an impediment to growth. Hence, Walton-funded advocacy groups oppose initiatives requiring charter school governing boards to comply with state conflict-of-interest or contracting rules, for example, or even rules requiring that governing board meetings be open to the public.

Free-market charter school advocates are quick to refer to charters as "public schools" in discussions about funding levels and access to public facilities. But in almost every other instance, WFF-funded lobbyists have argued strenuously that charter school governing boards are private corporations not subject to the same regulations that govern traditional public schools. Examples of this doublespeak abound:

- **New York State** taxpayers have been witness to a seven-year tug of war over whether charter schools, like traditional public schools, are subject to audits by the state comptroller. In 2005, the State Assembly passed the School District Accountability Act, extending the power of the comptroller to audit *all* public schools, both traditional and charter. The New York Charter School Association, which has received $3.6 million from the Walton Family Foundation, took to the courts, arguing that the state did not have the authority to audit the schools because they were run by independent—not public—boards. In 2009, the Court of Appeals agreed with the charter

lobby. Two years later, the Legislature tried again. In exchange for more than doubling the number of charter schools permitted to operate in New York, the Legislature again conferred on the state comptroller the authority to audit charters. In July 2013, after only two charter school audits had been released by the comptroller (both finding material concerns), Eva Moskowitz, the director of Success Academy Charter Schools in New York City, which has received $4 million from the Walton Family Foundation, filed suit again in the state Supreme Court. In March 2014, a Manhattan Supreme Court justice ruled in her favor,[11] but the following month, the General Assembly—in exchange for allowing New York City charter schools increased access to public school buildings—gave both the state comptroller and the city comptroller the authority to audit charters.[12] The debate continues.

■ The **California** Charter Schools Association (with more than $31 million in WFF grants since 2004) is a particularly strident purveyor of the Walton anti-regulation ideology. In 2011, the association defeated a proposal that would require charter schools to comply with a range of school safety regulations that are mandatory for traditional public schools, including that charter schools have a dependable and operative fire alarm system. [13] (Three years later, a charter school in Pasadena was closed by the city fire department for having multiple fire code violations and creating an "imminent danger" to the school's 300 students, according to the *Pasadena Independent* newspaper.[14] Among its findings, the fire department spokesperson noted that the school did not have either an automatic sprinkler system or a fire alarm system. Nor did the school have sufficient exits or exit lighting to safely and quickly evacuate students in case of an emergency.) The CCSA opposed another bill in 2012 that would have required charter schools (as public schools) to offer free and reduced-price meals to qualifying charter students. Although more than 80 percent of California charter schools *already provide* free and reduced meals to their students, the CCSA stated that *requiring* charter schools to do so would create "profound challenges"[15] and place schools in "an impossible situation." The California Food Advocates, which supported the bill, noted that it was the low-income students who probably were profoundly challenged, stating, "Hunger should not be a choice."[16]

Members of the Walton family have been generous supporters of political candidates who support their policy advocacy. In the 2010 election cycle, five members of the Walton family collectively contributed nearly $57,000 to 35 state Assembly races in **Wisconsin**, as well as to Scott Walker's gubernatorial run. Walker won that race, and proceeded to win legislation slashing the state's education budget and forcing teacher layoffs across the state. Two years later, when Scott Walker faced a recall election after massive voter protests, Christy Walton contributed $50,000 to Walker's campaign to beat the recall. In 2013, the Legislature's proposed budget included $73 million to expand the state's voucher program.

■ In **Indiana**, Alice Walton's contribution of $200,000 to the re-election bid of State Superintendent of Public Instruction Tony Bennett was not enough to push him over the top in 2012, after a public backlash against Bennett's pro-charter policies. Just a month after his Indiana defeat, Bennett was appointed Commissioner of Education in **Florida**. But Bennett was forced to resign just eight months later when the Associated Press reported that while serving as the state superintendent in Indiana, Bennett had been personally involved in changing the letter grade given to a charter school founded by one of his campaign contributors. Bennett, like other advocates for market-based education reform, had put in place a school grading system that ranked schools with grades from A to F, with the grades determining school funding, or even closure. The Associated Press, through a Freedom of Information Act request, revealed that when Christel House Charter Academy (a network of three charter schools that together have received $441,000 in

WFF funding) was given a grade of "C" in 2012, Bennett worked with his staff to rejigger the grading formula so that the school's designation was lifted to an "A."[17]

Members of the Walton family disburse their riches generously across the country, to policymakers and causes supported by their advocacy grantees, even when local charter operators object. Carrie Walton Penner contributed $370,000 to California Charter Schools Advocates (the lobbying arm of the California Charter Schools Association) when the organization was engaged in a campaign *against* a proposed school construction bond in West Contra Costa Unified School District. Why oppose a bond for new school construction? Because the district's board had not agreed to share the proceeds of the bond with local charter schools.[18] The organization spent $100,000 on fliers and other efforts to defeat the bond proposal. Some charter operators in the district expressed dismay at the CCSA's campaign, noting that it could undermine their relationships with the district board, which authorizes charters, and that the CCSA campaign put them "in a difficult position." Back in 2006, Carrie Walton Penner's husband, Gregory Penner, contributed $250,000 to block universal early childhood education in California.[19]

In addition to its lobbying and direct policy advocacy, the Walton Family Foundation grantees offer school districts and state departments of education comprehensive research reports that they promise will help design a road map for school improvement. But these reports typically regurgitate a predictable litany of pro-privatization recommendations—school closures, new charters and restraints on collective bargaining for teachers. A case in point is the report developed by the Illinois Facilities Fund (IFF) for the **District of Columbia** Public Schools (DCPS).

In 2011, the Walton Family Foundation paid IFF to study the District's public schools and make recommendations to DCPS, which was then engaged in a multiyear modernization and reorganization initiative. DCPS had closed 23 schools in 2008 in an effort to right-size against the growing charter sector.

IFF is a Chicago-based charter school finance and real estate advisory organization, and a favorite of the Walton Family Foundation. IFF has received more than $9 million from the foundation since 2007.

The IFF study for D.C., "Quality Schools: Every Child, Every School, Every Neighborhood" was released in January 2012 and recommended closing several *additional* D.C. public schools and transferring other public schools (and school buildings) to private charter operators.

Two D.C.-based researchers with many years of experience with the District's troubled public school system found the report "seriously flawed." In a detailed response published in the *Washington Post,*[20] they noted that IFF had made similar recommendations in five other cities (three of which are Walton investment sites). Yet when asked at a hearing on the proposal, IFF's research director could not provide a *single* instance in which its strategy of transferring a low-performing school to a charter management organization had resulted in academic gains for the students.

After 20 years, the Walton Family Foundation's education advocacy has swept across nearly every state that allows charter schools, providing the capital needed to flood urban markets with new charter schools and supporting aggressive advocacy in line with its free-market ideology. Family members have backed up the foundation with hefty contributions to policymakers and issue initiatives. But has all this money, dumped into states without public comment or hearings, actually helped

improve education outcomes for students? It is becoming increasingly clear that the answer is no.

IMPACTS: QUANTITY AT THE EXPENSE OF QUALITY?

At the Walton Family Foundation the primary driver of school quality is supposed to be competition fueled by choice—i.e., growth of the market. Sadly, extensive research efforts (many of them funded by WFF) on the academic impact of public charter schools have suggested that after 20 years there is little across-the-board improvement to show for it. At best, it appears that some charter schools perform very well, but that the majority perform no better, or even significantly worse than neighboring traditional public schools.

In fact, the drive for quantity may actually come at the *expense* of quality. The authors of a commentary in *Education Week* in 2009[21] reported that an analysis of the 2009 CREDO (Center for Research on Education Outcomes) study on charter school performance found several reasons to be concerned about the impact of aggressive growth of the market on student outcomes. The commentary noted:

- If, according to the CREDO report, 17 out of 100 charter schools improve student outcomes, but 37 actually worsen outcomes, then the rapid expansion of the sector is creating more poorly performing schools than high-quality schools;
- The states in which CREDO reported strong charter performance had, on average, *fewer* charter schools than states with poor charter performance, and
- Of the five states (Arizona, Florida, Ohio, California and Texas) that opened the greatest number of charter schools in the first 10 years of chartering, four posted negative student achievement results while the fifth (California) showed no significant difference between charter and traditional public school performance.

So the impact of all this expansion and churn on student academic outcomes is negligible. But what about other consequences of the Waltons' aggressive drive to privatize? There are several:

- weakened oversight created by the rapid expansion of schools without commensurate increases in the apparatus in place to monitor them;
- fraud and malfeasance, a predictable by-product of the wide-open arms of the market, inviting any and all to partake of the public trough; and
- the gradual undermining of traditional public school districts and, in turn, the increased segregation of some of the nation's most vulnerable students in traditional public schools that no longer have the resources to serve them.

None of these outcomes should come as a surprise; indeed, they are predictable results of the foundation's drive for market growth. Since the analysis referenced above in *Education Week*, CREDO has released new reports showing improvements in some states while real problems continue to exist in states like Ohio, Florida, Texas and Arizona.

WEAKENED OVERSIGHT

Charter school authorizers are charged in most states with monitoring the performance and operations of the schools they license. Without additional resources, as the number of schools increases, the capacity of these authorizing agencies to adequately monitor

the health and well-being of their schools is diminished.

Despite all the rhetoric about "increased accountability," when it comes to issues like full financial transparency, compliance with state laws on contracting, or even background checks on employees, lack of adequate oversight creates the inevitability of poor quality, non-compliance with laws governing the schools and outright fraud.

In 2012, in **North Carolina** 33 new charter schools were approved—a 33 percent increase in the total number of schools in the state—without any corresponding increase in oversight capacity. The state's Office of Charter Schools had three consultants overseeing 133 schools—or 44 schools per consultant.[22] In **Philadelphia**, the School Reform Commission's Charter Schools Office has been without a director for nearly two years, and in 2014 had a staff of only six. Two of those staffers are assigned to oversee the operations of the city's 86 charter schools.[23] Even the president of the Pennsylvania Coalition of Charter Schools acknowledged that the office was failing to provide adequate oversight.[24]

Without strong monitoring, some charter schools have played fast and loose with the rules, setting up barriers to enrollment that divert or deny admission to low-performing students, those with special needs, or undocumented immigrants. Additionally, charters around the country have established rigid discipline policies that charge monetary fines to students for even minor infractions like chewing gum, and give the schools leeway to push out—through suspensions and expulsions—large numbers of students. These practices have become so prevalent that in May 2014, the U.S. Department of Education saw fit to issue two "Dear Colleague Letters" a week apart, reminding charter schools of their obligation to comply with federal civil rights law regarding school enrollment policies, access to charter schools for students with disabilities and English language learners, and fairness in school discipline policies.[25]

FRAUD AND PROFITEERING

Lack of oversight, and the "everybody come" atmosphere created by the almost total deregulation of the charter application process has inevitably allowed some bad actors entering the market to treat charter schools as tax-funded ATMs. In 2014, the Center for Popular Democracy and Integrity in Education released the results of a media survey of charter school fraud, waste and abuse in just 15 states (43 states have active charter school laws). The groups found more than $100 million in fraud (later updated to $200 million). Many of the schools and entities caught up in the scandals, or with documented examples of profiteering off the charter industry, have been funded by the WFF:

Many of the schools and entities caught up in the scandals, or with documented examples of profiteering off the charter industry, have been funded by the WFF.

- The Brighter Choice Foundation, which manages 11 **Albany, N.Y.**, charter schools and has been the recipient of more than $9.4 million in Walton Family Foundation grants, hired Ronald Racela as the director of finance for its four direct-run charter schools. A year later, in 2011, Racela was promoted to chief financial officer of the Brighter Choice Foundation. In 2013, Racela was arrested and charged with embezzling more than $200,000 from both the Brighter Choice Foundation and the individual schools he worked for.
- The Harambee Institute of Science and Technology Charter School in **Philadelphia** doubled as a nightclub until it was shut down in 2010.[26]
- Two **Los Angeles** charter schools run by the Magnolia charter school chain were closed in 2014 after fiscal mismanagement and reporting irregularities were found.
- Concept schools in **Ohio** and **Illinois** are also under federal and state investigation for a range of concerns around contracting and hiring, management of funds and others.[27]
- A chain of 60 schools in Miami-Dade and Broward Counties in **Florida** is run by the

for-profit Academica Corp. The schools have received more than $1.1 million in grants from the Walton Family Foundation since 2005. The business dealings of Academica's CEO, a former real estate developer, have been the subject of an investigative series in the *Miami Herald*. The newspaper's reporting has revealed millions of dollars of profiteering within the company, mostly through the purchase of properties for school buildings, which are then leased at a profit to the school governing boards that Academica controls.[28]

Moody's Investment Services issued a report in 2013 which found that the dramatic expansion of charter schools in some economically weak urban areas puts increasing financial stress on traditional school districts and weakens their ability to serve their students.

■ Options Public Charter School in **Washington, D.C.,** serves students with severe physical and/or mental disabilities. The school came under fire in 2013 when it was discovered that three members of the school's governing board had jointly created two for-profit corporations that were then contracted to provide services to the school. One of those corporations handled Medicaid billing for the school (and other D.C. charters) and Options was found to be overstating the severity of disabilities of some students in order to increase the federal reimbursements for them.[29]

Sometimes, the oversight process itself becomes tainted. In Washington D.C., the Public Charter School Board—one of the only authorizers to receive direct funding from the Walton Family Foundation ($5.8 million)—was responsible for monitoring Options Public Charter School, cited above. But Jeremy Williams, the CFO of the authorizing board, was later arrested and charged with taking $150,000 in payments from the trustees of Options, in order to steer the authorizer away from reviewing the school's contracts, and helping to pitch the services of the two for-profit corporations established by Options trustees, to other charter schools in the district. Williams is now the subject of a criminal investigation.[30]

These and many more instances of fraud and profiteering have sparked new cries for stronger regulations on charter schools to protect taxpayer dollars. But perhaps the most disturbing outcome of all, although one anticipated and welcomed by the pro-market ideologues, is the undermining of traditional public school districts.

SMARICK'S ROAD MAP PLAYS OUT

Moody's Investment Services issued a report in 2013 which found that the dramatic expansion of charter schools in some economically weak urban areas puts increasing financial stress on traditional school districts[31] and weakens their ability to serve their students.

Because students who transfer to charter schools come from across a district and from multiple grade levels, districts are not able to reduce their expenses proportionally. The effect is to force the traditional district to cut programs, lay off teachers, increase class sizes and close schools to make ends meet. These actions in turn hasten the exodus of more families, who would prefer a strong neighborhood public school, but see the writing on the wall and flee to the better-resourced charter schools. Their flight creates a downward spiral that few districts have been able to stop.

The cycle identified by Moody's is presented in technical terms. But the impact is deeply personal: Students with disabilities, English language learners and other disadvantaged students are less likely to be enrolled in a charter school, and more likely to be kicked out if they do enroll. These students end up overrepresented in the traditional public district at the same time that the resources needed to serve them are stripped away.

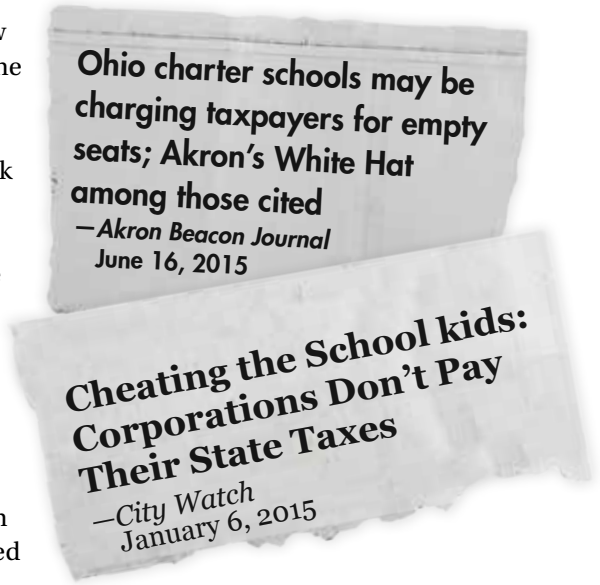
"We believe that in providing choices we are also compelling the other schools in an ecosystem to raise their game," says WFF's Marc Sternberg [32] Yet, as Moody's Investment Service reports, and as Walton grantees like Mike Thomas of the Foundation for Educational Excellence gleefully acknowledge, just the opposite is happening.

The students left behind—among our most vulnerable—have become collateral damage in the Waltons' ideological crusade. The majority of students in Chicago, Newark, N.J., Philadelphia, Washington, D.C., and other cities where public school districts have been devastated by the cycle of resource extraction cited by Moody's, continue to attend traditional public schools. For these students, as well as students in the cities' poorly performing charter sectors, the foundation's policies have hurt, not helped.

BROUGHT TO YOU THE WAL-MART WAY: CONCLUSION

The Walton family may come from modest roots. But the empire it has built has catapulted the family to seats among the wealthiest Americans: the top .01 percent of the 1 percent. From that vantage point, the Waltons have deduced that what poor children of color in the nation's big cities need to get a good education is a lesson in market economics—that what they offer Wal-Mart consumers is bound to work for parents and schools. But the assumption is clearly flawed.

As if to justify the rising inequality and lack of equitable education opportunities emerging from the now balkanized public school systems in some of our largest districts—places like Chicago, Los Angeles, New York, Philadelphia and Washington, D.C.—the Thomas B. Fordham Institute (a Walton grantee), has begun offering a blunt assessment about the direction of market-based education reform, suggesting that perhaps equity is not a necessary goal for our public schools. In 2013, Mike Petrilli, now the president of the institute, wrote a commentary for *Education Week*, titled "The Especially Deserving Poor."[33] In it, he argues that schools should "spur on the strivers," even at the expense of more needy students. This means, he continues, that "policies and programs … should be designed to help people with the drive, work ethic, tenacity, and motivation to rise." He lifts up some of the very policies that have been so disturbing in the charter sector—reliance on strict discipline policies that push students out, or enrollment hoops that give access to better-resourced families—and embraces them. Efforts to move away from zero-tolerance discipline policies are "a big mistake," he declares. Segregating students by ability allows the "strivers" to "be challenged and [to] learn side by side with others who share their thirst for knowledge." And he calls for policies that funnel precious education resources up the economic ladder to the "especially deserving poor." While the federal No Child Left Behind law "shined a spotlight" on the needs of the most disadvantaged students, says Petrilli, "let's not overlook their slightly less disadvantaged peers—the boys and girls who come from low-income but perhaps not as dysfunctional homes and who aspire to graduate from college and enter the middle class."



This is the elephant in the room for the so-called education reform movement. Is the intent of the movement to indeed serve all students, as the tradition of public education has held—particularly since *Brown v. Board of Education* was decided by the U.S. Supreme Court 60 years ago—or are we willing to accept a system of schools that serve only those who are willing to participate as consumers in a free-market, privatized network?

There is a better direction. The increasing number of state legislators, auditors, comptrollers, parents, students and academic institutions that are calling for more accountability in the charter sector are right: If we are committed to a public education system that strives to serve all children, with the understanding and the expectation that each and every one matters, has potential and deserves the resources and opportunity to succeed, then we must rein

in the current growth model of charter expansion, and insist instead on a well-regulated and equitably resourced system of public schools that works for all children.

To do that, supporters of public schools designed to serve *all* children must not only work to change how politicians and policymakers view charter schools. We also must change the Walton Family Foundation, which has driven the current market-based reform agenda over the past 20 years. This report, and the accompanying petition, are a first step in making change at the Walton Family Foundation.

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