**Headline:** Why the Federal Government’s Billion-Dollar Charter School Program Is a Bigger Disaster Than We Thought

**Teaser:** New report reveals waste and corruption, pressuring Democratic presidential candidates to plug the drain of public funds to charter schools.

By Jeff Bryant

**Author Bio:** Jeff Bryant is a writing fellow and chief correspondent for [Our Schools](https://independentmediainstitute.org/our-schools/), a project of the Independent Media Institute. He is a communications consultant, freelance writer, advocacy journalist, and director of the Education Opportunity Network, a strategy and messaging center for progressive education policy. His award-winning commentary and reporting routinely appear in prominent online news outlets, and he speaks frequently at national events about public education policy. Follow him on Twitter [@jeffbcdm](https://twitter.com/jeffbcdm).

**Source:** Independent Media Institute

**Credit Line:** This article was produced by [Our Schools](https://independentmediainstitute.org/our-schools/), a project of the Independent Media Institute. To learn more about school privatization, check out [*Who Controls Our Schools? The Privatization of American Public Education*](https://www.alternet.org/education/who-controls-our-schools-how-billionaire-sponsored-privatization-destroying-democracy-and), a free ebook published by the Independent Media Institute. [Click here to read a selection](https://www.alternet.org/education/who-controls-our-schools-how-billionaire-sponsored-privatization-destroying-democracy-and) of *Who Controls Our Schools?* published on AlterNet, or [here to access the complete text](https://s3.amazonaws.com/s3.alternet.org/images/who_controls_our_schools_pdf_ebook_1_1.pdf).

**Tags:** Education, Charter Schools, Presidential Elections, Social Justice, News, Time-Sensitive

**[Article Body:]**

Earlier this year when members of Congress [repeatedly confronted](https://www.commondreams.org/views/2019/04/22/things-didnt-go-well-when-betsy-devos-was-confronted-her-departments-charter-school) U.S. Secretary of Education Betsy DeVos about a [study](https://networkforpubliceducation.org/asleepatthewheel-2/) finding the federal government’s charter school grant program had wasted an estimated $1 billion on schools that had never opened or opened and quickly closed, she dismissed the findings and accused the report authors of having a “political agenda against charter schools.” On December 10, the organization that published the study DeVos disparaged [issued](https://www.washingtonpost.com/education/2019/12/09/report-federal-government-wasted-millions-dollars-charter-schools-that-never-opened/) a more detailed examination of waste in the government’s charter grant program and concluded the $1 billion figure was indeed likely not correct—it was an *under*estimate.

The report “[Still Asleep at the Wheel: How the Federal Charter Schools Program Results in a Pileup of Fraud and Waste](https://networkforpubliceducation.org/stillasleepatthewheel/)” by the Network for Public Education (NPE) calculates approximately [$1.17 billion](https://networkforpubliceducation.org/wp-content/uploads/2019/12/Still-Asleep-at-the-Wheel.pdf) in federal funding has been spent on charters that either never opened or that opened and have since shut down. Much of the added waste the study found in the charter program comes from the researchers’ findings that way more of these charters have closed or never opened than originally estimated. Based on its second passthrough of the data, NPE upped the failure rate of taxpayer-funded charter startups from 30 percent to 37 percent.

The new report arrives at an especially critical time in the discussion about charter schools in the Democratic presidential primary.

Vermont Senator Bernie Sanders, one of the four front-runners in the race, has [proposed](https://berniesanders.com/issues/reinvest-in-public-education/) “halting the use of public funds to underwrite new charter schools.” Massachusetts Senator Elizabeth Warren, another front-runner, has [pledged](https://elizabethwarren.com/plans/public-education) to, if elected, “eliminate” the federal charter school grant program and “end federal funding for the expansion of charter schools.”

Warren in particular has been taking the brunt of the pushback from charter supporters, who [contend](https://edreform.com/2019/10/elizabeth-warren-should-skip-teachers-strike/) her call for ending the federal grant program for charter schools is “threatening the freedom” charters enjoy.

A pro-charter advocacy group recently [interrupted](https://www.huffpost.com/entry/elizabeth-warren-clark-atlanta-university-protest_n_5dd70cfee4b00149f719684e?ri18n=true&ncid=newsltushpmgnews) Warren when she spoke at a campaign rally in Atlanta, Georgia, and a video interview Warren recently had with the National Education Association, in which she restates her opposition to charter school expansions, prompted New York magazine columnist Jonathan Chait to [imply](https://nymag.com/intelligencer/2019/12/elizabeth-warren-charter-schools-unions-parents-choice-education.html) Warren’s opposition to federal funding of charter schools is for political reasons and an effort to gain the support of teachers’ unions.

In her K-12 plan, Warren cites [the first NPE report](https://networkforpubliceducation.org/asleepatthewheel-2/), “Asleep at the Wheel: How the Federal Charter Schools Program Recklessly Takes Taxpayers and Students for a Ride,” which I coauthored with NPE executive director Carol Burris. Warren’s campaign document [repeats](https://elizabethwarren.com/plans/public-education) that report’s conclusions that “the federal government has wasted up to $1 billion on charter schools that never even opened, or opened and then closed because of mismanagement and other reasons.”

Because the newer report, which I also contributed to, finds the amount of waste is even worse, Warren and Sanders have had their positions strengthened, and other presidential candidates will likely feel more pressure to explain exactly how they would, if elected, stanch the drain of public funds from the federal charter grant program and take steps to address widespread fraud, corruption, and financial mismanagement of public money in the charter school industry.

**Deeper Dive Into Wasted Charter School Funding**

The first “Asleep at the Wheel”report, [admittedly](https://networkforpubliceducation.org/wp-content/uploads/2019/03/Executive-Summary.pdf), “barely skimmed the surface” of the waste in the federal charter program. It also called attention to warnings from the education department’s own inspector general that the charter grant program was poorly monitored, and it scrutinized the application process to get the grants, noting that applicants frequently gave false or misleading information about their schools and programs, and application reviewers did little to no research on individuals and organizations asking for the money.

This new report provides a more thorough, state-by-state accounting of federal funds given to grantees from 2006 to 2014, the only data window the department has made available. (Astonishingly, during the first decade of the program, from 1995 to 2005, there is no record of how charter school grant money from the federal government—over $1 billion—was spent.) Based on the failure rate of schools in the publicly available dataset, the amount of federal tax dollars wasted on charter schools that never opened or quickly closed is likely $1.17 billion.

Although the overall rate of failed charter projects was 37 percent, in some states the rate of failure was much higher. States where the failure rate of charters receiving federal grants exceeded 50 percent include Delaware, Georgia, Hawaii, Iowa, Kansas, Maryland, Mississippi, Virginia, and Washington (state).

The amount of waste in taxpayer funds varied considerably from state to state.

In Georgia, 23 million federal dollars were wasted when 75 percent of the charter schools awarded government grants failed. The percentage of defunct charter school grantees in Florida matched the national average at 37 percent, resulting in $34.2 million in wasted taxpayer funds. In Michigan that failure rate was over 44 percent, costing taxpayers $21 million, and in Louisiana, $25.5 million went down the drain as 46 percent of the charter startups failed. But the most scandalous waste was in California where nearly $103 million was awarded to charters that never opened or have shut down—a 37 percent failure rate.

**Money Given to ‘Ghost Schools’ That Never Opened**

Details about the amount of money wasted on charter schools that never opened, which the report calls “ghost schools,” are infuriating.

NPE identified 537 charter schools in total that received public-financed government grants and never opened for even one day. According to the education department’s data, those schools received, or were due to receive, a total of $45.5 million.

Twenty-eight states had at least one charter ghost school, but California again was among the worst, where 61 charter operators pledged to open schools but never did, wasting $8.36 million. Michigan topped the list, though, where 72 grant recipients never opened their schools. Over $7.7 million was wasted there.

Drawing from records NPE obtained through a FOIA request to Michigan’s state education department, the report spotlights some egregious examples of how money given to start new charter schools never made it to classrooms, teachers, and students. Hundreds of thousands of precious education dollars went instead to the charter developers themselves, to for-profit consulting and education management organizations, to lease arrangements with school building owners, and to purchases of computers, printers, and other equipment that was never accounted for or given back to school districts when the schools failed to open.

One story the report [recounts](https://networkforpubliceducation.org/wp-content/uploads/2019/12/Still-Asleep-at-the-Wheel.pdf) is about how a private consultant and her company hopped from one defunct charter school in Michigan to another, taking advantage of federal grants every time, to extract tens of thousands of dollars in consulting fees from schools that never opened or were open for only brief periods of time.

[Another](https://networkforpubliceducation.org/wp-content/uploads/2019/12/Still-Asleep-at-the-Wheel.pdf) example: a Michigan couple who received a $100,00 “planning grant” to open a new charter used the grant to pay themselves $53,920 and purchase laptops, a printer, and Wi-Fi services worth $4,679.11. The school never opened.

**Public Funds Went to For-Profit Schools**

NPE’s report also found substantial funds from the federal charter school grant program went to for-profit businesses even though the program’s guidelines limit grant awards to only nonprofit organizations. A total of $124,929,017 in federal start-up funds in the education department’s database of grant awardees went to 357 schools that are run by major for-profit chains.

How does this happen? As the report notes, only one state, Arizona, technically allows charter schools to be incorporated as for-profit corporations, yet 34 states allow for-profit management companies to contract with charter schools. These contracts create a convoluted system in which the charter serves as a passthrough for the for-profit corporation to make money from the school by providing staffing, curriculum, classroom furniture, computer equipment and software, and, in many cases, serve as the school’s landlord.

One example the report delves into is a chain of charter schools in Florida that were connected to White Hat Management Corporation, a now-defunct Ohio-based, for-profit school management company that used to be in five states. Nine of the schools in the Florida charter chain received grants from the federal government ranging from $25,000 to $705,696. All the schools are now closed, but nearly all that money likely ended up in White Hat accounts.

Some of the schools paid 97 percent of their income to White Hat, including to a separate White Hat real estate company for lease payments on buildings owned by White Hat. When White Hat also went out of business, any remaining assets the company had were [sold](https://www.ohio.com/news/20180807/schools-out-for-white-hat-david-brennans-pioneering-for-profit-company-exits-ohio-charter-scene) to other privately operated charter management groups, even if those assets had been purchased with public money.

Both Sanders and Warren have called for bans on federal money going to for-profit charter schools. Other presidential candidates including former Vice President Joe Biden and South Bend, Indiana, Mayor Pete Buttigieg have joined in this proposal. But candidates need to be clear that when they call for ending federal funds to expand for-profit charter schools, they also must [call](https://edpolitics.org/sarah-lahm-why-2020-dems-should-target-the-nonprofit-charter-school-industry/) for ending federal funding of for-profit real estate businesses and management firms connected to the schools.

**‘Down the Drain’**

DeVos and the charter school industry will quite likely dismiss this new report from NPE as they did the first one.

There’s a [substantial history](https://edpolitics.org/why-wont-the-charter-school-industry-acknowledge-its-documented-failures/) of charter school proponents refusing to reflect on even the most reasonable criticism of their schools. Any negative reporting on the practical reality and consequences of charter schools, no matter how well documented, is often branded by charter school proponents and the media as an “attack” on all charters and an effort to [undermine](https://fair.org/home/how-media-turn-support-for-public-schools-into-opposition-to-children-of-color/) African American and Latinx families who send children to charters in greater proportions than white parents do.

After Warren was interrupted by a pro-charter group of predominantly black parents during her speech at the Atlanta campaign rally, she [met](https://blogs.edweek.org/edweek/campaign-k-12/2019/11/charter-school-warren-protests.html) with the protest organizers to learn more about their objections to her K-12 education plan and its proposals to curb the growth of charter schools.

During the exchange, there was a revealing [moment](https://www.facebook.com/sonya.thomasthornton/videos/2695764567135755/) when Warren pointed out to her critics that even if she were successful in her efforts to end the federal charter school grant program, her other proposal to increase federal spending on K-12 schools—principally, her proposal to [quadruple](https://www.washingtonpost.com/education/2019/11/22/um-thats-not-what-warren-actually-said-about-charter-schools/) federal Title I funds that go to schools serving low-income children, which includes many charter schools—would exceed what charters would lose by shutting down the grant program.

One of the charter school organizers, former superintendent of Milwaukee public schools Howard Fuller, who is a longtime advocate of charter schools and school voucher programs, [countered](https://www.facebook.com/sonya.thomasthornton/videos/2695764567135755/) that public schools will just “absorb” whatever additional money Warren proposes and the money “is going to go down the drain” unless there are “significant structural changes” that allow for charters and other forms of school choice in the system.

But given the results of this new report, anyone truly concerned about financial “drains” on public education would conclude Warren’s proposal to end the federal charter grant program is really the right way to go.