

WHO
CONTROLS
OUR
SCHOOLS?

The Privatization of
American Public Education



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1 Introduction

Most people cannot imagine American life without public schools and all they stand for. This institution not only strives to surmount many forms of inequality by educating all of a community's children, but is also democratically accountable via locally elected and appointed school boards. The democratic school system has undergone positive changes: attendance became compulsory in [1918](#), and in [1954](#), the Supreme Court's decision in *Brown v. the Board of Education* ordered an end to segregation (but, of course, segregation still exists throughout the public school system). But just as this system evolved over centuries for the better, there is no guarantee its ethical values and democratic legacy will survive into the future.

Unfortunately, many people today view our schools as a target for private enterprise instead of a valued public good under the control of democratic governance. When media mogul Rupert Murdoch announced in 2010 that News Corp. planned to enter the for-profit K-12 education market, he [called](#) it “a \$500 billion sector in the U.S. alone that is waiting desperately to be transformed.” (Today that figure is more than [\\$600 billion](#).) Murdoch is among a small group of billionaires—wealthy heirs, retired and active super wealthy corporate CEOs and successful businesspeople—who have been working for more than two decades to assert more private control over the nation's public schools.

Due in part to the money, power, and influence of these individuals, numerous states have enacted various ways for parents in public schools to transfer their children, at taxpayer expense, to private schools or to other schools that operate outside the public scope of democratic governance. The means of transfer vary greatly—from

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voucher programs, to tax credits, to savings accounts—but the most pervasive taxpayer-funded conduit into a privatized education sector has become charter schools.

As Douglas Harris, a professor of economics at Tulane University, notes, the principle all charter schools tend to share is the desire to “have autonomy over all major management decisions (including especially personnel, budgeting, and curriculum) and [to] operate under contracts approved and funded by the government.” Harris is known to write positively about charter schools; yet, in a recent op-ed in *Education Week*, he argues persuasively that the very nature of charters makes them different from public schools in that they are essentially “less democratic” than traditional K-12 schools.

Understanding that distinction is critical now that 6,700 charter schools serve three million students across America. Six percent of public school students attend charter schools; according to the National Alliance for Public Charter Schools, in 2014, “Over the past five years, student enrollment in public charter schools has grown by 70 percent.” Though charter schools vary greatly in terms of their operational and educational characteristics, 40 percent are part of corporate chains or franchises, often mixing nonprofit and for-profit wings to wrest taxpayer subsidies and private profits.

It is important to understand that this rapid growth of charters did not come after wide debate and consensus. Instead, a privatized K-12 industry has taken root in forty-two states and Washington, D.C., and is expanding, despite many controversial premises and a track record raising serious questions about its academics, business models, and anti-democratic impacts. The charter movement should be seen less as a one-dimensional desire for academic excellence and more as a radical, ideological, and political drive for power and control over what has been one of our basic institutions of local authority. Clearly, the transformation of such a huge and important institution as America’s K-12 public schools deserves to be carefully considered. Yet most Americans

do not realize how charters and their allied privatization movement are changing the fundamental nature and structure of our schools.

The charter school deception is rooted in the shared beliefs of its founders. Corporate titans like the Walmart-creating Walton family, Bill Gates, and other very wealthy individuals have collectively spent billions seeding and sustaining this movement until states and the federal government passed laws and regulations sanctioning and subsidizing charter schools. Acting alone or together, they attacked public education, saying that America's schools were failing—especially for the poor. Their remedy, always cast in children's best interest, was not rescuing struggling schools and school districts. It was creating a separate and unequal school system to be run like private corporations.

Responding to their marketplace achievements, philanthropy, campaign donations, and lobbying, states began passing laws exempting new charters from public administration oversight, including elected and appointed school board supervision, competitive bidding, labor laws, and other legal requirements associated with traditional public schools. The schools that emerged under this deregulated matrix, especially under charter franchises created by entrepreneurs with national ambitions, often sold themselves as saviors of low-income, minority communities. Lawmakers and some parents embraced them. But what followed was often less of an attempt to help children of low-income families and more of a power play to fundamentally alter our schools.

Many charters used untested curriculum and classroom technologies developed by their board members and business associates. Many hired inexperienced teachers and admitted fewer students with special education or English learner needs. Both tactics cut costs. Many closed their board meetings to the public and gave contracts to friends and family. Many fired teachers who wanted to organize unions. Many overly focused on preparing their students for tests but downplayed other developmental skills. And on the business side, a recurring pattern of self-dealing has led public interest groups to document \$200

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million in wasted or stolen taxpayer funds diverted from classrooms. We suspect that estimate would be much higher if industry practices were fully audited. The most sophisticated operations have even used their nonprofit arms to access state revenue bonding and their for-profit arms to make lucrative real estate deals where they owned the property assets. These instances are not isolated and unique, but part of a spectrum of actions intended to nationalize the charter school movement and privatize our schools.

Public education advocates, credentialed teachers, and teachers' unions have criticized the charter industry's moves, and their concerns were proven to have merit when test results from many of the charters showed the schools to be performing no better, and often worse, than traditional public schools—or when financial scandals broke. Yet these complaints barely percolated into the wider public. Nor have protests by local coalitions of overruled school boards, administrators, parents, teachers' unions, and activists prompted a comprehensive re-examination by state and federal lawmakers. Even investigative reports by newspapers and public-interest groups detailing self-enrichment schemes and negative impacts on communities generally have not stopped charter chains from encroaching into targeted markets and locales.

Today's charter juggernaut exists because an education privatization industry has built a powerful political, legal, and marketing infrastructure—including top-down oversight by statewide appointees—that is preempting traditional local control of public schools. The charter lobby has spent hundreds of millions of dollars to promote itself and a privatization agenda. They finance electoral campaigns up and down the political ladder and hire publicists who spread misinformation, aggressively lobby, and paint charter opponents as part of the problem they are solving. Critics, in contrast, get less coverage, partly because the press is quick to applaud the charitable efforts of billionaires. The mainstream media is unwilling to buck the enormous power and influence these hugely wealthy people have, and thus generally sidestepping

the reality that privatizing schools is not only antidemocratic, but also encourages a spectrum of self-dealing and corruption.

The Independent Media Institute believes this unprecedented transformation must be thoroughly analyzed and challenged on a number of levels, because it is radically altering and undermining one of America's bedrock democratic and equalizing institutions. IMI has reviewed an extensive body of information about charter schools to synthesize the main findings for a wider audience and spur an urgent conversation about the impact of privatization on our schools.

This report lays out ten topics that, taken together, show the ideological roots, nationwide scope, and historic stakes involved in this takeover of traditional K-12 public education. These themes and findings assert that:

- A school privatization industry has hijacked the concept of education reform
- A group of billionaire funders is dismantling and taking over our schools
- Charter proponents have pedaled a false myth of failing public schools
- A lack of operating transparency has harmed schools and communities
- Locally elected schools boards have become powerless, destroying a core democratic institution
- A legal framework for privatizing our schools has been created and imposed

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- Wealthy donors and their powerful infrastructure, not the public, are responsible for charters' rapid growth
- The charter movement's pro-student rhetoric is not matched by educational outcomes and other metrics
- The business side of charters encourages a spectrum of self-dealing, profiteering, and financial corruption
- Government regulators and auditors are routinely flouted and kept at bay by charter proponents

The report concludes with recommendations from public education advocates addressing the most serious issues cited. In sum, they suggest that state and federal governments should impose a national moratorium on the rapid growth of charters until the industry's antidemocratic features and corruption-prone business models can be assessed and altered. The stakes are nothing less than the future of our schools.

2 Analysis/Findings

The following sections trace the roots of the charter school movement and describe how it has grown into a multibillion-dollar industry dominated by large chains and franchises. It explores how a political and legal framework emerged to support a business model that not only creates a parallel structure inside the public school system, but one prone to a spectrum of fiscal abuses. As is often the case, the publicly stated rationales given for this so-called educational reform are a far cry from the outcomes now being evinced.

2.1 How the School Privatization Industry Has Hijacked the Concept of Education Reform

The original concept for charter schools is not what dominates today's K-12 public education industry. The idea of experimental local public schools called "charter schools" has been around [since](#) the early 1970s, but received a major boost in 1988 when Albert Shanker, then-president of the 907,000-member American Federation of Teachers, embraced charters as a way to create innovation in local schools by expanding academic options and encouraging parent involvement. Nearly three decades later, that vision has been supplanted by a growing, franchise-dominated privatization industry that wants to access the [\\$600 billion](#) spent annually by taxpayers nationwide on K-12 schools.

Across America, there are now [6,700](#) charter schools in [forty-two states](#) and Washington, D.C., with nearly three million students. The federal government has spent at least [\\$3.7 billion](#) on charter schools, with most of that coming in the past decade. Investigative reporters say it is hard to know how much states have spent on charters because many will

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not reveal that despite public records requests. As Brown University's Annenberg Institute for School Reform [stated](#) in a March 2016 report on charter school governance issues, "Chartering has become an industry, with... 35–40 percent of them operated by corporate education management organizations that impose signature models of educational delivery across several, or even several hundred, schools."

The concept of privatizing public education is not new. Since the 1950s, when economist Milton Friedman [called](#) for "free market schools to allow people to choose" soon after the Supreme Court desegregated public schools, pro-corporate think tanks and conservative foundations have [rallied](#) around privatizing traditional K-12 education. Their call, first focusing on vouchers, was embraced in the 1980s by Ronald Reagan's White House and in the 1990s by libertarians [promoting](#) Friedman's notion that elected and appointed local school boards, education regulators, teacher unions, and teacher training were failing students. (Some of these same think tanks now contest climate change science.) Friedman praised Walmart heir John Walton and New York financier Theodore Forstmann for pledging \$100 million to underwrite early voucher programs.

Charter schools did not begin under this same philosophical umbrella, but were soon subsumed there. They took [hold](#) after Minnesota became the first state to pass laws allowing local charter schools a quarter century ago—in 1991. As voucher programs faltered, charter-enabling laws were adopted in a few states such as Arizona and Florida, and the schools began to spread. The Walton Family Foundation, led by John Walton, initially wanted a school voucher movement, but settled for a nationwide charter school movement when voucher initiatives found limited public support. To date, it has spent more than [\\$1.3 billion](#) on K-12 education and boasts that it has given seed funding to one-in-four charter schools across America. Such advocacy and spending have no precedents, although Walton's example has prompted other wealthy individuals to join this education reform bandwagon.

2.2 How a Group of Billionaires Has Aggressively Pushed to Privatize the Public School System

Today's charter establishment would not exist, nor would it succeed, without its wealthy benefactors. Using a mix of inherited wealth and corporate fortunes accumulated over decades, this movement has been called a virtual conspiracy. Its inner circle of funders includes individuals and families who made billions in more traditional fields using cost-cutting and nonunion labor, such as the Waltons of Walmart fame, as well as Los Angeles home builder and insurance magnate [Eli Broad](#). It also attracted two generations of technology moguls, from Microsoft's [Bill Gates and Paul Allen](#), to Netflix's [Reed Hastings](#) and Facebook's [Mark Zuckerberg](#). These investors, who include some of America's richest individuals and families, share a belief that if they confront social issues with enough money and innovation, they can triumph.

This wealthy cadre is the sustaining force behind what now is a nationwide charter school establishment that consists of large numbers of the super wealthy who fund, promote, and defend every corner of the charter school industry—from startup funds for schools, to researchers who tout the purported benefits of education deregulation, to political campaigning and lobbying, and a growing orbit of consultants and contractors who all benefit from privatizing schools. There is little evidence to substantiate the belief that the business model used by Walmart or Microsoft would work for, or reflect, what K-12 public schools should be. Yet these benefactors and like-minded [technologists](#) are confident that public education can be transformed by mimicking corporate values that [embrace](#) exemption from government oversight, managerial secrecy, and flexibility and that reward senior executives. The checks and balances that school districts instituted [decades ago](#) to prevent corruption and boost professionalism are seen as [hindrances](#).

The industry's rapid growth since 2000, when there [were](#) only 1,500 charter schools and 300,000 students nationally, directly reflects the

impact of wealth-driven capital pitted against a cash-strapped public school system. This became especially true after 2008's Great Recession [froze or cut](#) public education spending in many states. In addition to [Walton](#), [Gates](#), [Zuckerberg](#), and [Hastings](#) (who in 2016 created a \$100 million school reform foundation), former New York City mayor and publisher Michael Bloomberg, Amway's founding DeVos [family](#), Gap cofounder [Doris Fisher](#), and many [hedge fund](#) investors have taken up the charter cause. Even corporate raider Carl Icahn has [created](#) a small chain of schools, benefitting from tax breaks worth tens of millions of dollars.

These individuals have not only helped charter schools to take root and grow, but have also worked behind the scenes—simultaneously [wearing](#) the contradictory hats of nonpartisan charities and partisan donors—to create the legal and political infrastructure for a full-fledged charter industry to emerge. Their campaign spending includes funding state ballot measures and donating to state and federal candidates, resulting in a matrix of charter-enabling laws at both the state and federal levels.

More than a decade ago, the U.S. Department of Education made state acceptance of charters a tenet of receiving federal funds under programs like [Race to the Top](#). (The new Every Student Succeeds Act, which revises federal policy for the first time in more than a decade, further [expanded](#) how states and charters can access taxpayer funds.) With this legal backdrop in place, the underwriters then assume the role of nonpartisan education social entrepreneurs, funding and subsidizing individual schools and charter chains, affiliated enterprises, industry-promoting trade associations, and pro-charter policy analysts. Together, these interrelated efforts—the partisan campaigns and purportedly nonpartisan policy expertise—have profoundly changed American public education by creating a parallel world of charter schools outside the traditional school system.

2.3 How the Myth of “Failing Schools” Helped Spur a Movement

How did this parallel system and an accompanying privatization industry arise? It started with an old political smear that cleverly embodied ideological goals long championed by libertarian education reformers, and also appealed to modern technology billionaires who see themselves as social engineers: [declaring](#) that public schools were failing, especially for underprivileged communities. To suggest that America’s enduring poverty was the fault of public schools, as opposed to socioeconomic factors and business models that determine economic opportunity, is absurd. Yet that was the opening salvo.

There’s [nothing new](#) about decrying public education, however, even if it masks other agendas. Starting more than two decades ago, think tanks with ideological reasons for upending public schools—from a desire to lessen the power of labor unions to belief in the private sector’s superiority—launched a multifront attack. They shrewdly saw that political support for the charter school idea emerging in the early years of Bill Clinton’s presidency was an opening for their privatization agenda. When Clinton’s presidency began, America had one charter school; when it ended, the White House [boasted](#) there were “more than 2,000.”

A decade and a half later, the “failing schools” critique continues, with the pro-charter establishment still blaming teachers, teacher training, teachers’ unions and the contracts they negotiate, elected and appointed school boards, school district administrators, and overregulation by state and federal government for the deficits in public education. Not surprisingly, they tout charters as a cure-all. As longtime public school advocate Diane Ravitch [wrote](#) in April 2016, “It has become conventional wisdom that ‘education is in crisis...’ The threat today comes from those who unfairly blame the school for social conditions, and then create a false narrative of failure.”

This pro-charter marketing is not arbitrary. It shrewdly targets lawmakers and regulators in cities and states where the industry wants to grow. The charter establishment's [goal](#) has remained the same for decades: to legally grant its operators powers and perks not accorded to traditional public schools, their school boards, and school administrators, opening the door to a new industry built on the business of providing education.

One-Sided Propaganda Machine

There's no shortage of billionaire-funded disinformation in the media—even Hollywood has attacked public schools and posed charters as the ideal solution.

The highest-profile example in national media is [The 74](#), a pro-privatization website run by former NBC-TV reporter Campbell Brown and sponsored by the Walton Family Foundation, Michael Bloomberg, and others. Other [examples](#) include the Walton Family Foundation's [underwriting](#) of National Public Radio, where the on-air credits say they are fixing America's schools; the education news site *Media Bullpen*, run by Walton grantee Center for Education Reform, which also has funding from the Gates Foundation; and [Education Post](#), a “nonprofit, nonpartisan” site, which got \$12 million in startup funding from the Walton, Bloomberg, and Broad foundations. Broad also [underwrites](#) education beats at the *Los Angeles Times*, whose editorials have [called](#) for more charters even as the city's largest chain has tried to thwart a [union drive](#) by [United Teachers Los Angeles](#) (UTLA), which is affiliated with both the National Education Association and American Federation of Teachers. These examples are the tip of a larger iceberg—all proffering eerily similar talking points that label public schools “in trouble” and charters likely to save the day.

There even have been propagandistic pro-charter movies, such as 2010's teacher-blaming *Waiting for “Superman”* and 2012's *Won't Back Down*, which Walton promoted. The rhetoric used is filled with preachy overtures about “helping children” (what could be more

emotional?) and the need for bold action. This breathy publicity is reinforced by a patina of policy pronouncements by a cadre of hired consultants who praise the industry and minimize its failings.

But those shortcomings are not minor. They now include more than 2,500 charter schools that failed nationally between 2000 and 2013—a 27 percent industry-wide rate, as [documented](#) by investigative reporters at the Center for Media and Democracy—and a national track record of fiscal mismanagement and self-dealing involving more than \$200 million in wasted or stolen taxpayer subsidies, documented in a series of annual [reports](#) by the Center for Popular Democracy.

2.4 How a Lack of Transparency Undermines Schools and Communities: Privatization in Action

Charter schools are often sold as a way to better educate youths in underserved communities. Charter advocates even [invoke](#) the mid-twentieth century’s civil rights movement and its moral authority as they push to close traditional public schools—rather than improve them—and promote their privately run alternative. But as that high-minded rhetoric is turned into action, what emerges is a series of impacts that often weakens or severs a community’s connections to its schools.

As institutions, the charters themselves become taxpayer-subsidized platforms to institute untested curricula, aggressive and generally anti-union corporate management models, and opportunities by founders and their associates to nurture investments tied to delivering a range of school-related services. Promoters repeatedly have convinced state and federal policymakers that they deserve to be exempt from most of the transparency and oversight required of traditional public schools to deliver better goods—which often is not what results. Suffice it to say that diverting limited taxpayer funds in needy school districts, forcing school closures despite local opposition, thwarting locally elected boards and district administrators, and acting with impunity is very

[controversial and destructive](#)—entirely apart from their academic results. Nonetheless, this blanket license granted to charters covers the full and complex business of running schools, including hiring, curriculum, testing, administration, real estate holdings, and management.

Too frequently, charter schools are structured to avoid public scrutiny, oversight, and accountability. Whether they are structured as nonprofit or for-profit operations—and many [mix](#) both—they are privately run. Often, their board members are not elected nor required to be local residents. Meetings, when open, are not necessarily held near their schools, thwarting public input. The management process often is not open to scrutiny. In many places, charters are [exempt](#) from laws and regulations affecting local schools and districts, including collective bargaining and competitive bidding. In general, charter schools straddle a fence where, on the one hand, they use their public status to get benefits not available to traditional private schools, such as financing projects with government bonds. On the other hand, they claim privileges given to private sector entities, such as not revealing internal deliberations, hiring decisions, or contracts.

Freed of transparency and oversight requirements, charters frequently embrace policies that seem more aligned with financial drivers than better education outcomes. Many are known for hiring inexperienced teachers [with](#) little professional training, such as Teach for America recruits, saving money but resulting in high turnover rates. They [rely](#) on untested teaching methodologies, including use of new technologies tied to board members' [investment stakes](#). As a result, these schools often perform less well than many of the public schools they have supplanted, according to ongoing [surveys](#) from academic researchers. Where charters do fare well academically, there have been accusations of admitting the best students and excluding special-needs students (which traditional public schools cannot do) or relying on discipline to winnow their ranks of poorly performing children. They are also known to obsessively focus on test preparation, using programs developed by business peers or funded by pro-charter foundations.

Most debate over charters is focused on their educational impact, but it is not just here where charter school managers and their boards want to be shielded. The business side of charters, where many schools are [structured](#) as a sophisticated mix of interrelated nonprofit and for-profit corporations, is often run secretly and with few legal obligations to report to the public. It is not uncommon for founders and boards to hire relatives, friends, and affiliated businesses to run schools. Franchises can [require](#) new schools to hire their management teams, garnering additional income. More sophisticated chains also develop real estate and [rent](#) buildings back to their newest schools for lucrative profits. There is simply no parallel to this overall business model in traditional K-12 public schools, where requirements like competitive bidding prevent undue profiteering.

In a late 2015 research brief for the University of Colorado's National Education Policy Center, academics Bruce D. Baker and Gary Miron [highlighted](#) four major areas of concern raised by privatization of public schools. They include worries that:

- “A substantial share of public expenditure intended for the delivery of direct educational services to children is being extracted inadvertently or intentionally for personal or business financial gain, creating substantial inefficiencies;
- “Public assets are being unnecessarily transferred to private hands, at public expense, risking the future provision of ‘public’ education;
- “Charter school operators are growing highly endogenous, self-serving private entities built on funds derived from lucrative management fees and rent extraction which further compromise the future provision of ‘public’ education; and
- “Current disclosure requirements make it unlikely that any related legal violations, ethical concerns, or merely bad policies

and practices are not realized until clever investigative reporting, whistleblowers, or litigation brings them to light.”

While self-dealing does not take place at all charter schools, in many states there is a sizable [record](#) of such practices, with too many common features to be a coincidence. Studies have [found](#) that charters spend more on administration than traditional K-12 public schools—reflecting cost cutting for classes and larger payouts to management. Meanwhile, locally elected school boards and others who have been preempted and sidelined by state charter authorizing agencies often [find](#) that they can do little to [stop](#) these practices.

2.5 How Locally Elected School Boards and Democratic Governance Have Been Destroyed

The attack on locally elected and appointed school boards may be the most antidemocratic feature of this privatization movement, even if it is the least discussed. Charter advocates contend that public schools are failing notably in lower-income communities and follow up with the idea that progress will only come if schools are freed from traditional regulation and oversight. In reality, that practice often results in a direct assault on local control and democratic accountability. Not only are public schools, local school board elections, locally approved school budgets, and property tax rates critical to an enduring democratic tradition, but school boards have also long served as the entry point to higher office. The charter movement seeks to overrule and nullify these democratic hallmarks. Moreover, its criticism that schools are failing because they are not, on their own, solving society’s top woes is simplistic and incorrect, particularly as it concerns inequality and poorer students.

This critique ignores the fact that traditional public schools in the wealthiest locales have [almost universally been](#) more successful and have included specialized cohorts, such as magnet schools. In contrast,

public schools in poorer areas, with few exceptions, do not perform as well, despite many antipoverty initiatives such as meal subsidies, special education, and extra English-language programs. That is because poverty's roots begin outside classrooms and undermine students. Thus, poorer school districts struggle to be competitive with wealthier, more stable counterparts when measured by tests.

Nonetheless, the movement's attack on traditional schools has been accepted by many state legislatures, which, in turn, have severed the oversight of neighborhood schools from locally elected school boards. This is typically done by creating statewide oversight or licensing boards that sanction charter schools, often filled with pro-charter appointees. These boards have turned local control of public school on its head. The result is that privateers have run [roughshod](#) over school districts in many cities across America. Moreover, many charter chains hold board meetings outside of local school districts, thwarting parental involvement.

New Orleans, Detroit, New York, Chicago, Columbus, St. Louis, Pittsburgh, the District of Columbia, Philadelphia, Milwaukee, Baltimore, and Houston have all seen this legacy of local control and elected school boards upended by privatization. Collectively, these cities experienced the forced closure of more than seven hundred public schools and replacement by charters, according to a May 2014 [report](#) by Journey for Justice Alliance, a nationwide coalition of community groups as well as youth and parent organizations in twenty-one cities. "America's predominantly black and Latino communities are experiencing an epidemic of public school closures," their report begins. "At the local level, many education systems are being reshaped in an unprecedented fashion."

"We need the American people to know that the public education systems in our communities are dying," their [report](#) continues. "More accurately, they are being killed by an alliance of misguided, paternalistic 'reformers,' education profiteers, and those who seek to dismantle the

institution of public education. Some are being killed quickly; others are still in the early stages. But it is, at this point, quite clear that there will soon be little to nothing left of our public school systems—and many more like ours—unless current trends are disrupted.”

In Los Angeles, Pushing Charters, by Every Means Necessary

Many American cities, including Atlanta, New York City, and Los Angeles, face ongoing fights over charter school expansion. But what’s unfolded in L.A. in the past several years reveals how thwarting the elected local school board is critical to the movement’s success—and is illustrative of how aggressive and persistent the charter establishment can be when it does not achieve its goals.

In 2014, Los Angeles had the highest number of charter school students in the country and more charter schools than any school system in the U.S. According to the *Los Angeles Times*, May 2015’s Los Angeles Unified School Board elections were the most expensive school board race in the nation. Charter boosters saw the outcome as critical to a transformation of the city’s school system—the second-largest district in the country—and they used a standard ploy in the American political playbook to try to tip the scales in their favor: giving large sums to their trade association to run political advertising, as those groups face few campaign finance restrictions.

In 2014 and 2015, two Walton family members [donated](#) \$1.12 million to the California Charter School Association (CCSA) PAC, which then ran ads backing pro-charter school board candidates. At the same time, Los Angeles businessman Eli Broad gave CCSA \$355,000, Netflix’s Reed Hastings gave \$1.5 million (he also called for phasing out locally elected school boards in his keynote address to its state convention that year), and ex-Apple CEO John Sculley gave \$500,000. Meanwhile, as the race was unfolding, the city’s biggest charter chain, Alliance College-Ready Public Schools (a Walton grantee, with twenty-seven schools and plans to soon double in size),

began aggressively [fighting](#) a teacher-led union drive to affiliate with United Teachers Los Angeles.

What ensued was revealing. The pro-charter side did not win a school board majority in May 2015. But the next month, an undaunted Broad Foundation issued an audacious [plan](#) to convert half of its Los Angeles K-12 schools to charters by 2023, citing itself and Walton as funders. The controversial leak of that plan to the press last fall came weeks before an L.A. court [found](#) Alliance's anti-union tactics violated state labor laws, allowing the drive to unionize to continue. In January 2016, the city's elected school board unanimously [rejected](#) Broad's takeover plan, saying it ignored the opinions and needs of L.A.'s communities.

Despite these setbacks, the charter establishment remains undeterred. The city is among those targeted by the Walton Foundation's new [strategic plan](#), which lays out a plan to invest an additional \$1 billion to grow charter schools through 2020. In other words, the charter juggernaut is determined to persevere and use every means necessary to win and transform American public education until schools embody their ideological goals and corporate managerial practices.

2.6 How the Legal Framework for Privatization and Total Control Has Taken Hold

Los Angeles' recent experience slowing the charter movement is more the exception than the rule nationwide. Charters are now a separate world of privately run schools within the country's K-12 system. But this historic and unprecedented development did not appear overnight. It resulted from a determined push in state capitals by a well-oiled lobbying machine to create the legal framework to privatize schools—mostly out of public view.

Starting in the mid-1990s, charter funders and their think tank experts began [identifying](#) laws that would be needed to launch a system of public charters. Most of these laws were targeted at the state level,

because that is where education is traditionally administered in America. The well-funded one-stop legislative and lobbying operation American Legislative Exchange Council (ALEC) has enormous influence in getting school privatization legislation passed, particularly in states with a Republican majority. Their self-serving goals included: addressing limitations on the number of new charter schools to be allowed; creating statewide chartering authorities that can overrule local school boards and school districts; limiting local appeal rights; obtaining waivers from collective bargaining, legal, and operational autonomy; and more. Charter lobbyists and education entrepreneurs armed with documents and prepared testimony, including by individuals who would go on to create prosperous charter businesses, convinced state and federal officials to erect a new legal framework empowering charters. Lawmakers and mainstream media typically did not question the assumptions of the charter proponents, especially when wealthy executives—who donate to campaigns—bemoaned public schools, praised charters, and demanded action.

On the revenue side, the charter establishment also identified early on that capturing per-pupil taxpayer subsidies would be necessary but not sufficient to sustain their schools and operate profitably. Enabling legislation also gave charter operators access to government revenue bonds. These benefits gave charters huge advantages compared to underfunded local school districts, which typically raise education funds from local property taxes and see their per capita state aid grants shrink as student numbers fall. They also advantaged charters against traditional private schools, which cannot access government bonds for acquiring property and erecting buildings.

This naked self-interest continues today, as charter lobbyists keep seeking and wresting more benefits from states. The National Alliance for Public Charter Schools' recent annual [reviews](#) of new state laws highlight the sector's antidemocratic values. Its 2014 report, for example, [praises](#) Alaska for a new “appellate process for public charter school applicants denied by their local school districts.” (In other

words, localities that do not want charters can be overruled.) It lauds New York for its law requiring New York City to provide buildings to charter operators “at the expense of the district,” a form of corporate welfare. It again [praised](#) Alaska for requiring payments to charters if local districts do not provide transportation, which points to one of many lump sums that operators can access.

The organization’s 2015 report continues in that vein. It [praises](#) the lifting of caps on the number of charters in New York, Connecticut, and Oklahoma and applauds increased funding in Arkansas, Indiana, and Ohio—where the legislature was forced to [impose](#) new regulations after a big chain that failed kept its desks and computers—a bonanza for the charter’s founders. The big picture, however, was assembled one piece at a time, and with the help of compliant legislators and governors in state after state, a parallel world of rules and exemptions governing charter schools was put in place. While not every state is the same, in the quarter century since Minnesota passed the first charter-enabling legislation, a new privatized education sphere was sanctioned and introduced into traditional public education.

2.7 How the Rapid Expansion of Privatized Charters Is Pushed

In recent years, charter schools have been growing rapidly and developing as a franchise-driven industry (even as more than a quarter failed nationwide between 2000 and 2013). A critical question is, what is driving that growth? The charter establishment boasts it is fulfilling an unmet need, as evidenced by long waiting lists at schools. When polled, many parents [perceive](#) charters as akin to sending their kids to a better school—which often is not true. But there is ample evidence that the industry would not be aggressively expanding as it is without the help of their benefactors’ giant wealth, their robust public relations machinery, relentless lobbying, and political campaign donations.

The Walton Family Foundation and wealthy strategic partners are at the forefront of this growth. Walton's 2015–2020 philanthropic strategic plan [boasts](#) that it helped start one-quarter of the nation's charter schools. But Walton does more than just fund schools. In addition to [multimillion-dollar](#) donations for new schools, the foundation also [spends](#) millions of dollars on political campaigns (to expand its reach), trade associations (to lobby lawmakers), think tanks (that create glowing pro-charter reports), and media outlets (that repeat pro-growth talking points), while also [channeling](#) money to ideological allies such as the Milton Friedman Foundation.

Walton is not alone; other mega-donors have staked out the movement and industry's various corners. The Bill and Melinda Gates Foundation, led by Microsoft's founder, has invested in test-centered [curricula](#) and pushed computer-driven academic [metrics](#). Reed Hastings, who [believes](#) that computers could replace teachers, is most closely associated with Rocketship Education—whose initial [vision](#) included a nationwide chain rapidly growing to serve one million students in fifty cities. However, in 2014, Rocketship was forced to refocus on its first dozen schools after its core innovation—placing more than one hundred grade school children from low-income homes in large computer labs with one teacher and several computer technicians—[led](#) to falling [test scores](#).

Encouraged by Walton, [hedge fund](#) investors who see financial upsides in the sector's government-backed bonds (which tend to have higher interest rates) and real estate deals have invested and [promoted](#) the industry in the financial press. It has become a [big business](#), growing at an estimated 12 percent-plus annually, according to investors.

Today's Battlefield States

In 2016, the industry-led push for rapid growth continues. In Massachusetts, charter proponents have been seeking to overturn a statewide cap of 120 schools, including filing a lawsuit to pressure the

state legislature to act. When a bill did not emerge this past spring, they funded a petition drive to place [an initiative](#) to lift the cap on the 2016 presidential election ballot. Local media have [reported](#) that millions of dollars in fall television ad time has been reserved by charter proponents. Meanwhile, the state’s pro-charter governor has said that he does not believe the proposed charter expansion goes far enough.

What’s unfolding in Georgia is also revealing, where the charter establishment has been relentlessly fighting for years to expand. In 2012, Alice Walton, the Walton Family Foundation, and large franchises such as online charter chain K12 Inc. [funded](#) a successful state ballot initiative amending Georgia’s Constitution to lift its cap on charters. (That was the charter lobby’s response to Georgia’s Supreme Court’s [affirming](#) of its constitution-required public schools be run by the most local level of government. The court distinguished between oversight by locally elected school boards and appointed statewide commissioners, who “are not accountable in any manner either to the parents or to the taxpayers.”)

In early 2016, Georgia’s charter-friendly legislature [passed](#) a bill creating a new state agency with school district takeover authority, which is the vehicle used in many states to close what are deemed to be failing public schools and to replace them with charters. As in 2012, that state law requires another constitutional amendment to create another exception to its local control standard. And as before, the pro-privatization lobby is sparing no expense to get its way.

That ballot initiative goes before voters this fall, and the charter industry and its sponsors are anticipating its passage. Consulting firms, funded by foundations including Walton, are [making](#) plans to turn half of Atlanta’s traditional public schools into charters. Georgia Gov. Nathan Deal has [said](#) that the worst public schools “become the fodder of our prison system.” Rhetoric like that infuriates educators not only because they believe the governor is setting the stage for a wholesale takeover by charters, but also because they know that poverty and violence have more complex causes than struggling and underfunded schools.

These examples of brazen self-interest are not unique. A detailed [report](#) by Joanne Barkan in the April 2016 edition of *Nonprofit Quarterly* describes a decade-long effort in Washington state by Bill Gates, fellow Microsoft founder and billionaire Paul Allen, Gap founder and billionaire Donald Fisher, the parents of Amazon founder Jeff Bezos, and other extremely wealthy corporate executives and technologists to license and expand charters despite being rejected by voters in a series of statewide elections. They faced a big setback in late 2015 when the Washington Supreme Court [held](#) that privately managed charter schools did not qualify as public schools under the state's constitution. The ruling was based on reviewing two decades of contradictory legal claims from charter proponents. The state's charter trade association [responded](#) by gathering donations to keep the schools open, much like any private school fundraising campaign. (Later, a rural school district controversially agreed to sponsor the schools.)

In Oakland, California, nearby Silicon Valley charter boosters are also [seeking](#) to convert half the district's public schools to charters. Meanwhile in Washington, D.C., the Walton and Broad foundations [underwrote](#) a report published in 2015 by the Progressive Policy Institute suggesting the capital city's lowest-performing public schools become charters. There is no end in sight to the push by education privateers to transform and take over K-12 public education.

2.8 How to Take a Hard Look at Charter Schools and Educational Outcomes: Rhetoric Is Not the Same as Results

Many critics of charters have rightly focused on the industry's philosophy of education, challenging its emphasis on evaluating students and teachers based on extensive testing, and secondarily, criticizing charters for [experimenting](#) on poor communities with their unproven [methodologies](#) while using their students as [test markets](#).

Recent reexaminations of the charter school industry—including an acclaimed [book](#) on the mostly failed experiment in Newark, New Jersey, where Mark Zuckerberg gave \$100 million to expand charters, and similar [assessments](#) of New Orleans’ citywide charter takeover following Hurricane Katrina—increasingly show [gulfs](#) between the rhetoric advocates present and the results of the schools themselves. Stanford University’s [Center for Research on Educational Outcomes](#), which conducts national research on charter performance, [found](#) in a 2015 report that the schools have only limited success—with charters in a third of forty-one cities studied lagging behind traditional public schools, and a significant slice of the rest on par with non-charter schools.

Other ongoing studies of student test results find many success stories are, in fact, not the triumphs that boosters claim. This is especially true with online education. The nation’s largest cyber-school chain, K12 Inc., for example, was found by researchers hired by the Walton Family Foundation to be leaving students six months to a year behind traditional public schools in core subject areas. Top Walton officials [said](#) in an early 2016 Education Week column that they were suspending their funding of this charter industry segment. But relying on computers and software to replace experienced classroom teachers is a common feature of many charter schools, and reflects Silicon Valley’s core belief that technology will eventually supersede traditional models of engagement.

The charter movement also boasts it is helping communities of color. Yet as the UCLA Civil Rights Project noted in a March 2016 nationwide [report](#), charters suspend black students four times more often than whites. It gave the example of Roxbury Preparatory Academy in Massachusetts, cofounded by current U.S. Secretary of Education John King, which had the state’s highest overall suspension rate. Roxbury calls itself a “high-performing” charter, the project noted, adding that there was an obvious business rationale for cracking down on students they claim to serve. “The possibility certainly exists that some charter

schools are artificially boosting their test scores or graduation rates by using harsh discipline to discourage lower-achieving youth from continuing to attend.”

UCLA’s experts, quoting many professionally trained educators, said “zero-tolerance” policies were ineffective and its findings “should help counter any argument that charter schools deserve to be shielded from state-initiated efforts to address these problems.” It then gave a remarkable description of how the California charter lobby operates to keep its regulators at bay. “We raise this concern because, in 2014, the California organization for charter schools got wind of these general national findings and misrepresented them in a [letter](#) to state legislators, claiming that our unreleased preliminary findings supported their attempt to seek shelter from state-level efforts to halt the excessive use of suspensions. The fact that charter schools share the problem of excessive suspensions, especially for black students and students with disabilities, is a strong reason they should not be excluded.”

But educational impacts are not the only issue where charters want to be shielded from accountability. Their business operations and management is often conducted privately and with few legal obligations to report to the public. When state and federal lawmakers sanctioned charters, they typically did not discuss or anticipate that introducing the profit motive and deregulation would foster a business model encouraging financial corruption and self-dealing. But that is exactly what has resulted in state after state.

2.9 How Charters Create Self-Enrichment Schemes and Crony Capitalism

Bringing profit motives into the K-12 public education sphere did not just introduce the possibility of corruption, it spawned a range of players—from individual school founders to more sophisticated franchise

chains—that have pursued a spectrum of eyebrow-raising enrichment schemes at taxpayer expense, including illegal theft of funds.

That is the inevitable conclusion when connecting the dots in a series of independent investigative reports from across the country, such as the *Detroit Free Press*'s yearlong [series](#) in 2014 tracing how charter operators in Michigan won state licenses by pledging to do more for low-income communities, but then set up for-profit businesses and became wealthy as they opened schools with [little](#) regulatory oversight. This recurring pattern goes beyond charter chain founders, like Deborah Kenney and Eva Moskowitz in New York, each earning [about](#) half-a-million dollars a year—more than double the city school chancellor's pay. But their high salaries are indeed indicative of a business model where profiteering is a driving force.

The simplest abuses follow founders who seize opportunities for self-dealing. Because charter school board meetings are typically closed, do not require competitive bidding, and family or business associates can sit at the table, well-connected insiders can profit if the private school board agrees.

Self-Enrichment

The examples begin with self-enrichment. In Washington, D.C., the founder of the Dorothy I. Height Community Academy paid himself “more than \$2.5 million,” an April 2015 investigative [report](#) noted. In Michigan, a school founder who was convicted of federal tax evasion made “a \$2.3 million prepayment” to his management company, the same [report](#) noted. The *Detroit Free Press*'s [investigation](#) cited founders, board members, and managers rewarding themselves from charter contracts despite poor academic results. Florida's Fort Lauderdale *Sun-Sentinel* found operators [collecting](#) hundreds of thousands of taxpayer dollars even as their schools were failing and closing. One New Orleans founder put \$13,000 of personal expenses on a school credit card, including a daughter's college tuition, before resigning, an education blogger [noted](#).

In short, taxpayer subsidies became easy money. In July 2014, the Los Angeles Unified School District [investigated](#) a charter and “could not justify \$3 million in expenses over four years to outsource curriculum development, professional training, and human resources services that the school itself reported doing.” A couple who founded three grade schools was accused by federal prosecutors of “operating secret bank accounts and pocketing more than \$1 million from parents for field trips and school fundraisers,” the Houston Chronicle [reported](#) in 2015. These investigative reports reveal a gray zone between unethical behavior and patently illegal activities by some charter boards and their executives.

Nepotism

Another series of journalistic [reports](#) found other self-enrichment scenarios that are directly the result of filling charter boards with founders’ family or business associates. In 2012, the Arizona Republic [reported](#) that \$70 million in contracts involving forty school sites “went to for-profit or nonprofit companies run by board members, executives, or their relatives,” explaining that, unlike traditional public schools, charters do not have to put contracts out to bid. In Ohio in 2014, board members from one charter “received kickbacks in the form of cash, travel, and payments” from an out-of-state firm that was awarded a contract. In California, one charter that closed in early 2015 “amid charges of nepotism, fiscal mismanagement, and enrollment fraud,” another [investigation](#) found, included allegations the CEO “hired her son... at an annual salary of nearly \$100,000 and paid other relatives without disclosing relationships.”

There are other examples where charter boards have gamed this new parallel system. In Ohio, one charter board [falsified](#) student enrollment to increase the size of state grants. That also [happened](#) in Kansas City. In another scandal, the Ohio Supreme Court [ruled](#) that the founder of its “worst-performing largest charter school operator” could keep its computers and other assets bought at taxpayer expense even after his schools failed and closed. That founder had donated thousands to the

election campaigns of several court justices who signed that ruling. In fall 2015, Ohio’s legislature [passed](#) a bill banning such asset transfers.

Corporate Profiteering

A more sophisticated level of profiteering comes from charter chains that set up a [deliberate mix](#) of for-profit and nonprofit operations in order to take advantage of the legal and financial benefits accorded to each, such as the ability of nonprofits to accept foundation grants and the ability of for-profits to manage the chains or conduct complicated real estate transactions.

One of the most common tactics used by charter founders is creating a for-profit management company to which public funds are transferred under a variety of guises approved by their boards. *ProPublica* [reported](#) that between 2008 and 2014 in North Carolina, Baker Mitchell, a libertarian businessman who founded a chain of schools, created two management companies that were paid about \$20 million in administrative fees and rent by the schools—out of \$55.7 million in taxpayer funds received. Baker was on the charter boards awarding the no-bid contracts and was an executive with the management firms, an arrangement that is illegal in some states.

In June 2015, the *Detroit Free Press* reported that Michigan’s largest charter operator [charged](#) fourteen schools more than \$1 million a year in rent, rivaling corporate office rates. “Four out of every five Michigan charter schools are really run by for-profit management companies,” the Center for Media and Democracy [reported](#) in October 2015, after analyzing public records. In Philadelphia, local investigative reporters have found that charter consultants [made](#) money off of the city school district’s tax-exempt bonding authority via real estate deals. One related [report](#) described how a hedge fund was able to raise \$500 million this way and paid millions to investors before putting funds to use in the classroom. In Tampa, one of Florida’s oldest charter firms, Charter Schools USA, was found to be using tax-exempt bonds to acquire land and build schools, but then its related management

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company rented those facilities back at exorbitant prices. Charter Schools USA charged a 5 percent management fee to local charter school operators, but siphoned off 23 percent of one school's budget, the local CBS-TV affiliate reported. The chain has more than seventy schools in seven states. In another recent Florida example, two local charters [sought](#) to sever ties with their management company after it was indicted on charges of grand theft, money laundering, and other white-collar crimes.

As academics Gary Miron and Bruce D. Baker discuss in their December 2015 [report](#) for the University of Colorado's National Education Policy Center, charter franchises also “find money” by cutting costs, such as not admitting many students who are disabled or require special education, by opposing labor unions, and by hiring inexperienced teachers. The chains, in turn, then spend more on their administrator salaries and contracting for administrative services, they said.

But that's just the tip of the iceberg. Miron and Baker [describe](#) in great detail how chains acquire assets at taxpayers' expense, use municipal bonding authority to fund real estate purchases (typically paying higher interest rates because they're not traditional school districts), and set up ownership structures so the chains would retain the real estate even if the charters closed. This complex structure is typically hidden behind the line items in charter budgets, which are frequently not disclosed. In New York City, financier Carl Icahn, a colleague of Republican presidential nominee Donald Trump, [claimed](#) more than \$40 million in tax deductions after donating to foundations in a complex series of deals involving a handful of charters he created in his name.

“Over the past few decades, these public-private relationships have become increasingly complex and opaque, and state charter laws have failed to keep pace,” Miron and Baker [conclude](#). “It seems clear that the financial incentives embedded in state law, combined with the need for most of the companies to make a profit, have led [Educational

Management Organization]-run schools to operate in ways that are often at odds with the goals of charter school reforms and, ultimately, the public interest.”

2.10 How School Privatization Keeps Out Regulators or Captures Them

In some states, government auditors are well aware of the problems caused by loosened charter oversight. Still, a handful of efforts by auditors and some education regulators to produce greater accountability have been resisted. New York’s state comptroller [told](#) its Department of Education that charters should be required to make their financial records public—but the pro-charter education agency never responded. In North Carolina, the state Board of Education [wanted](#) one operator to disclose salaries at separate companies that he controlled and paid to run the schools. The operator refused, saying that was a “trade secret.” (This mind-set has led to employees being [fired](#) for organizing unions.) In Pennsylvania, with one of the nation’s most permissive charter legal frameworks, the state auditor’s scrutiny only scratches the surface of their complex business models. That office looked at real estate [profiteering](#) across the state, but when it came to Philadelphia, it [reported](#) that education regulators cannot “properly verify the extent of its monitoring efforts of hundreds of millions of dollars of charter school tuition payments.”

That hands-off approach by the education regulators is not an accident, but rather it is overwhelming evidence of the industry’s vast money, power, and influence. In 2014, when the federal Department of Education proposed more scrutiny of state charter authorizing agencies, California’s Department of Education [opposed](#) it, as did charter trade associations. The Center for Media and Democracy’s investigative journalists [called](#) this pattern “a classic example of ‘industry capture’ by the agencies charged of oversight by the industry they are tasked with overseeing.”

In July of 2015, Ohio’s top official in charge of charters [resigned](#) after he was caught upgrading performance records at some schools to obtain a multimillion-dollar federal grant—which was nonetheless issued to the state in September of 2015. In response, former Ohio Gov. Ted Strickland wrote a letter to then-U.S. Secretary of Education Arne Duncan, [saying](#), “You just awarded \$71 million in taxpayer dollars to a state department of education that has been rigging the books. The department should go back over Ohio’s grant application and see whether it was rigged as well... I fear ideology has clouded good judgment.” (Ohio kept the grant, but the Department of Education took the rare step of declaring it a “high risk” and [imposed](#) conditions for using the funds.)

As former American Federation of Teachers organizer Gene Bruskin [wrote](#) in August 2016, the Turkish cleric who was accused of plotting a failed coup in that country had established a network of charters in the U.S. that regularly employed Turkish men who barely spoke English but obtained immigration visas.

“The lack of transparency of the [Fethullah] Gulen charter network and the failure of federal and state oversight are warning signs of the dangers involved in turning over taxpayer dollars for public education to private charter operators,” Bruskin wrote. “In the case of the Gulen network, the amount of money involved is enormous—hundreds of millions of dollars. Shouldn’t there be government investigations? A moratorium on adding more schools to these networks? Where is the voice of the charter industry for due diligence in schools where we send our children?”

The charter movement’s leaders, meanwhile, keep sticking with the self-serving talking point that less transparency and accountability is a key to creating transformational schools. While charter critics have [called](#) for growth moratoriums and more regulatory scrutiny, the industry’s proponents continue to press for less public oversight, including in states such as California where the Democratic-majority government

has embraced it. One recently proposed [bill](#) would grant new authority to the state Board of Education to single-handedly approve charter expansions, which would [override](#) prior California legislation that says the locally elected public school boards should [take a lead](#) in a district's educational priorities.

Despite a national legislative backdrop that has allowed the number of charters to grow exponentially since 2000, the industry is unsatisfied and seeks further deregulation. The National Alliance for Public Charter Schools' 2014 "Health of the Movement" [report](#) suggests that only half the states have created favorable legal environments for industry expansion. Its 2015 "model law" [report](#) details what they seek for its continued growth, including: "no caps" on the number of new schools; wide authorization for "new startups, public school conversions, and virtual [online] schools"; multiple licensing agencies "including nonlocal school board authorizers"; power to create "fiscally and legally autonomous schools with independent charter school boards," an "automatic collective bargaining exemption"; authority for a single board to "oversee multiple schools"; and access to "capital funding and facilities." The charter lobby describes this wish list as the "essential components" of a model state law, but they are also the legal landscape for a takeover of targeted school districts by a growing education privatization industry.

Meanwhile, despite myriad reports detailing many conflicts of interest and examples of profiteering, state [legislatures](#) and [Congress](#) have imposed few additional transparency and accountability requirements. In California, Florida, Texas, and Indiana, the fine print of enabling legislation bars state charter authorizing agencies from holding these school boards fiscally accountable. In 2014, charter lobbyists in Utah and New York opposed legislative efforts to regulate their contracting practices, telling lawmakers that "student achievement" would suffer if their business model were interrupted.

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Pro-charter lobbies in California, Ohio, Michigan, Illinois, and Washington, D.C., also resisted efforts by federal officials to impose greater transparency and accountability. When the federal Department of Education proposed tighter rules for state charter authorizers, state-based agencies—such as the California Department of Education—joined the charter lobby to oppose it. As the Center for Media and Democracy has [noted](#), many state lawmaker and legislatures have not just avoided oversight, but are also more eager to please this new industry’s sponsors than defend traditional public education.

3 Policy Recommendations

The charter establishment and charter school industry need to be seen for what they are: a pro-privatization behemoth targeting K-12 public schools, funded by some of the richest people and families in the world, who are relentlessly pursuing and implementing an epic takeover of one of America's most critical democratic institutions. Since 2000, charter proponents have deployed overwhelming private wealth to create an infrastructure that is fundamentally changing public education—and not for the better. Today, a parallel world of privatized, nontransparent, and unaccountable schools take in large amounts of public funds (federal, state, and local) and receive tax breaks, but essentially operate as private businesses, in many cities across America. Not only have charters consistently overpromised on the academic deliverables, but they have also introduced a business model into a noncommercial public arena that encourages nepotism, self-dealing, and self-enrichment based on diverting taxpayer funds and government-backed revenues.

The charter movement has inflicted serious damage on one of the nation's fundamental democratic legacies, its system of locally elected and appointed school boards and locally accountable governance. Just as many charter parents are barred from attending board meetings from their children's school, local taxpayers are losing the ability to make decisions about the public schools in their communities and instead are living with decisions by appointees who are more loyal to the charter industry than to the citizenry they purport to serve. Across America, charter school opponents generally have been unable to stop this privatization juggernaut—because the movement's funders know they have the resources to come back, year after year, to fulfill their goals.

While the charter industry has achieved a great deal of what it wants and is continuing to grow, its impacts on traditional public schools and school districts are becoming clearer, raising significant questions for policymakers and the public alike. On one hand, there are endless examples of industry hubris, such as a large charter near Colorado Springs that has threatened to sue the local school district [unless](#) it gets a bigger share of property tax revenues. But those paying attention are also saying enough. In Ohio, for example, fifty local districts are [trying](#) to bill the state for tax revenues lost to charter schools. That action underscores that public funds are finite, and that losing these revenues tangibly harms traditional public schools. Meanwhile, there are other signs that Americans are beginning to catch on that charters are not as magical a solution as proponents claim. Late-night TV host John Oliver's [mockery](#) of charters in mid-2016, and the NAACP's proposed resolution calling for a national charter moratorium, are threatening to the privateers.

The privatization juggernaut has vast financial resources, a potent infrastructure of lobbying and campaign finance operations, and enough cheerleaders in corporate-run media to both push charters constantly and take the long view. There's little evidence that the charter establishment is changing its tune, talking points, marketing, or lobbying and electoral strategies. It is still blaming public schools for failing poor Americans. Rather than improving public schools, charter proponents want them replaced. Rather than addressing the root causes of poverty, on those issues, they remain silent.

But just as the attack on public education is not new, responses to the problems created by the most ambitious players in the growing charter school industry are not new either. To start, the public education debate must move away from blaming schools and teachers for societal problems that are not of their making. A quarter century ago, when corporate leaders were advocating for school vouchers, Richard Rothstein [wrote](#) in *The American Prospect* that their proposal absolved corporate America from its choice not to address economic

inequalities and shrink poverty. He also explained why social justice-minded Democrats went along, helping charters gain a foothold at the expense of focusing on unmet public school needs. In short, it was easier to embrace privatization's grandiose promises than take on the much harder tasks of making schools better from the inside.

That task then involved equalizing public school funding formulas, reducing class size, creating and integrating more antipoverty efforts, improving vocational and technical training, and raising teacher pay. Much the same remains true today, both inside the public education arena and outside in the larger economy—where much of corporate America refuses to share its profits so that a greater portion of society can share the benefits.

America's tradition of democratic public education is venerable and vulnerable. It needs to be protected and preserved. The following recommendations come from traditional public school advocates seeking to restore democratic governance and fiscal accountability to operating charter schools. They begin with freezing new charter school expansion until the public funds spent are accounted for. They lift the veil of secrecy now surrounding charter boards, their management, and contracting practices. They seek to end unethical or corrupt enrichment schemes by imposing the anti-conflict-of-interest standards that other government agencies follow, and they seek to return charter governance to locally elected and appointed school boards by sharing oversight responsibilities with charter boards.

The charter establishment can be expected to vigorously oppose all of these policies, as they have succeeded in carving out a separate and unequal system of legal and financial privileges that benefit so many players across their industry. However, what the government awards to charters can be taken away or modified, especially when there are systemic abuses of the taxpayer resources and there is no public outcry demanding public schools be privatized.

Nothing is preventing the charter industry and its billionaire backers from opening and supporting traditional private schools. If they want to use taxpayer funds, however, it is unreasonable for them to expect to be perpetually freed of democratic governance and accountability.

Recommendations:

1. **A moratorium on charter expansion.** Until the antidemocratic and fiscal mismanagement issues cited in this and other reports are addressed by substantive revisions in state and federal law, it is unreasonable to pour more taxpayer funds into continued charter expansion. If the movement's wealthy funders want to create private schools, there are no legal impediments preventing them from doing so.
2. **Audit and account for all public funds granted to date.** As the Center for Media and Democracy and other investigations have extensively reported, hundreds of millions of dollars in federal and state grants to charter schools have not been accounted for. Taxpayers deserve an accounting for the use of public funds that have been diverted from traditional public schools.
3. **Subject charter boards to public meeting and open records laws.** Charter board meetings, their deliberations, and their financial records should be open to the same public review and access that is now required under state open meeting and public records law. Require any entities contracting with charters to openly post those contracts and all financial information related thereto.
4. **Ban founders from hiring relatives and firms where they have ownership stakes.** There need to be higher conflict-of-interest and ethical standards where taxpayer funds are not used for self-enrichment of family members and business associates. Such nepotism and conflicts of interest are an inappropriate use of taxpayer funds, although they are prevalent in the private sector.

5. **Require more evidence-based school practices to obtain federal funds.** The federal Elementary and Secondary Education Act as well as the Individuals with Disabilities Act both stated that innovations such as charter schools, which receive federal funds, should be based on studies that compare the performance of students in such programs with other, similar students not receiving that program. If they wish to continue to draw federal funding, charters must be made subject to studies that undergo to extensive peer review, so that their efficacy can be more accurately measured.
6. **Adopt national standards for competitive bidding and contacting by charter boards.** Similarly, competitive bidding and conflict-of-interest protocols should be required of charter boards in their contracting of school services, as this would return charter operators to the same standards used by other public school operators and government agencies.
7. **Restore elected/appointed school board oversight of charters in their district.** State laws removing the authority of local school boards over charter schools should be amended to share the democratic oversight to all public schools operating in a single jurisdiction. Charter boards can continue to operate, but in concert with—not outside the purview of—local school boards. Work to ensure capable and competent charter authorizers who are transparent and accountable.
8. **Enforce open and inclusive enrollment policies.** Prohibit charters from using enrollment, registration, and disciplinary procedures that directly or indirectly exclude or discourage certain student populations from attending the school or maintaining their academic standing based on standardized testing results.
9. **Require charter trade associations to disclose political donors and activities.** Charter industry trade associations and lobbying groups should fully disclose their large donors and

spending on lobbying and electioneering, rather than take advantage of loopholes in campaign finance laws allowing nonprofits to shield these donors and these groups' advocacy campaigns.

10. **Ban online charters.** Except for carefully overseen pilot projects within districts, with clear evaluation, assessment, and sunset provisions, online charters must be abandoned.

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Stan Salett is a former public school teacher, elected school board member, organizer of public school parents and engaged citizens, and assistant commissioner of a state education agency. He is one of the creators of Head Start and Upward Bound and is the author of [The Edge of Politics: Stories from the Civil Rights Movement, the War on Poverty and the Challenges of School Reform](#).