

The 5 most serious charter school scandals in 2019 – and why they matter

By **Valerie Strauss**

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The new year is bringing calls for new scrutiny of the charter school sector as the bipartisan support it once enjoyed has been fracturing, with many Democrats turning against the movement they had supported.

In Pennsylvania, Gov. Tom Wolfe (D) had pledged to tighten lax ethics rules and give school districts the right to limit enrollment at charters that don't offer a high-quality education – and now nearly 30 superintendents are calling on him to fulfill that promise, [the Philadelphia Inquirer reported](#).

In Oklahoma, legislation has been filed for the 2020 session to limit funding for virtual charter schools and tighten regulation of them at a time when the state's largest virtual charter is under investigation over fraud allegations, [News4 reported](#).

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That's not to say that scrutiny is increasing everywhere, but there has been growing acknowledgment that charter schools have drained resources from public school districts in some areas and have operated with little oversight, leading in some cases to scandal. This post looks at the most egregious scandals in the charter sector in 2019 – and explains why they matter.

This was written by Carol Burris, executive director of the Network for Public Education, a nonprofit organization that advocates for traditional public education and opposes charters. Burris is a former award-winning principal in New York who has been chronicling the charter school movement and the standardized-test-based accountability movement on this blog for years.

By Carol Burris

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Two years ago, the Network for Public Education began keeping track of fraud, mismanagement and other scandalous behaviors involving charter schools. We noticed that problems in the charter sector were appearing in our news feed nearly every day. Because these stories were covered primarily by local news agencies, there is no national repository to allow policymakers and the public to understand the scope of the problems that result when schools are funded by the public but are not fully transparent in matters of governance and spending.

We began a Twitter hashtag ([#anotherdayanothercharterscandal](#)) and [a web page](#) to collect stories. We expected one or two postings a week. However, the coverage and the incidences of charter scandals are accelerating, and so we are posting 25 or more stories each month.

As the new year begins, the Network for Public Education staff decided to review our 2019 collection and identify the five most serious charter scandals of 2019. What follows is the results of that review. All five are equally egregious in their own way and are not listed in rank order.

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1. A3 Education: Eleven are indicted over their involvement in a charter scheme that defrauded California taxpayers of more than \$50 million.

In May, the California Superior Court for the County of San Diego indicted 11 people on charges that they helped defraud California taxpayers out of \$50 million via an elaborate scheme to create phony attendance records to increase revenue to an online charter chain known as A3. You can find a summary of the story with its elaborate kickbacks and fraud schemes here.

The alleged theft took place over the course of several years. In 2016, Jason Schrock and Sean McManus reportedly purchased Mosaica Online learning, which got its start with a \$100,000 grant from the federal Charter Schools Program (CSP). They eventually renamed the online schools Valiant. Schrock and McManus managed the schools through the nonprofit Academic, Arts and Action (A3) Charter Academy. Eli Johnson would reportedly approach small, cash-strapped school districts to enlist them as authorizers, for which they would receive an authorizer fee.

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In addition to Valiant Academy charter schools, A3 expanded by starting CA STEAM Academies throughout the state. Using the 19 resulting charter schools that enrolled thousands of students, they put their scheme in place. Thousands of summer school students would enroll, some unwittingly, and never take any classes. Meanwhile, according to the indictment, the money flowed into Schrock and McManus's real estate ventures, bank accounts and the kitty they created for payoffs.

In 2016, I exposed the mysterious growth of the CA STEAM Academies and other charters in which Johnson and McManus were involved here on The Answer Sheet. As part of my investigation, I spoke with Johnson on the phone. He claimed he did not know the name of the company he worked for or who signed his paycheck.

The CA STEAM empire extended into Ohio. Whether it has been investigated in that state is unknown. The A3 investigation and prosecutions continue as they hunt for McManus, who has disappeared.

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Although A3 may have been the biggest online charter school scandal in 2019, it was far from the only one. More than any other charter sector, online schools are ripe pickings for bad actors who manipulate attendance records for financial gain. Here are other scandals with online schools that popped up in 2019.

In January, Michigan Paris Academy founder Nancy Paris was indicted on three charges of embezzlement that accused Paris and her boyfriend of using school money for their personal use. The school, which closed down, was also apparently inflating its enrollment numbers to receive more funding — according to this report, by an extra \$1.1 million.

Two Indiana virtual charter schools under investigation for inflating their enrollment numbers to collect more tax dollars abruptly shut down. In April, the IndyStar reported that in 2018, nearly 2,000 students in Indiana's six virtual charter schools did not earn even one credit at a price tag for the state of almost \$10 million.

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Chicago Public Schools launched an investigation of Chicago Virtual Charter School based on alleged misspending by school officials. As is the case with so many of the scandals involving virtual charter schools, once the light is shined on the scandals, they shut down or are shut down. This was the case with Chicago Virtual Charter School.

Despite awful achievement scores, terrible attendance and frequent scandals, online charter schools have no difficulty getting start-up money from the federal Charter Schools Program. How did Chicago Virtual Charter School get started? It received more than \$441,0000 via a CSP grant.

2. IDEA Charter Chain: Board approves a private jet lease for nearly \$2 million a year and then reverses the approval when that vote becomes public.

In December, the Houston Chronicle reported that the IDEA Charter Schools Board voted to lease a private jet at an annual cost of \$1.92 million. That story was quickly replaced with an update when the deal was canceled within hours after it was exposed in the news media. Two months earlier, the Texas Monitor revealed the use of first-class tickets for IDEA top employees, along with paying for their families to travel.

According to the organization's latest 990, (see Page 3, year 2018), senior management can use the first-class seat perk for a variety of reasons, including flights that exceed three hours. Family members of senior management can get free flights to the annual dinner, board meetings and board retreats, and other approved IDEA events. The chief financial officer, who lives in California, where there are no IDEA charter schools, gets free travel and paid accommodations to biweekly meetings in the Texas Rio Grande Valley. Overall, IDEA spent \$14.6 million on travel during 2017-2018.

If that were not bad enough, the Texas Monitor also reported that five years ago, the charter chain purchased property from board member and developer Mike Rhodes for \$1.7 million while another board member, David Earl, was a paid counsel for Rhodes in the land deal. Such related-party transactions, which would never be allowed in a public school, continue. Without providing details, the 2019 audit states that "a related party earned a 3 percent commission on real estate purchases totaling \$3,597,406" and that nearly \$637,000 in transactions took place with vendors affiliated with school employees.

And yet this charter chain, which according to its audit had more than \$1.13 billion in assets, has received since 2010 more than \$200 million from the federal Charter Schools Program, a program originally designed to help parents and teachers open neighborhood charter schools in their communities.

IDEA is receiving one huge grant after another, even before the prior grant is spent, from Education Secretary Betsy DeVos, who awarded the chain a grant worth \$116,775,848 in 2018. Thanks to generous taxpayer funding and Department of Education grants, IDEA can keep its donors' money for private jets and first-class plane tickets, as well as a chief executive salary of over half a million dollars.

3. Today's Fresh Start Charter School: A Los Angeles couple makes millions from self-dealing with their charter schools.

In March, the Los Angeles Times ran an exposé on how Clark and Jeanette Parker of Beverly Hills made millions from their Today's Fresh Start charter schools by renting property they own to their schools. The charter schools pay Clark Parker as a consultant. It was reported that the couple also used their private child-care business to provide food to their charter schools and sent most of the funding from a half-million-dollar state grant to an unaccredited university that Jeanette Parker founded.

When school districts and the county tried to shut down the Fresh Start charter schools, the state charter board would overrule them. The Parkers generously donate to political campaigns.

Before running these troubled and troubling charter schools, the Parkers ran day-care programs that received lucrative state contracts — until they were cited for falsifying records, inflating enrollment and paying a high lease to properties they own. They lost the contract.

Who gave the Parkers a “fresh start” to open their charters? The Federal Charter Schools Program. The Today's Fresh Start - Inglewood charter school has received two CSP grants totaling nearly a half-million dollars.

In 2019, the Parkers were not alone in engaging in alleged profiteering schemes involving self-dealing. The storefront California Learn4Life charter chain allegedly created elaborate ways to hide self-dealing from the public eye to turn a profit, as explained in this August report from Voices of San Diego. Judges in San Diego and Grossmont, Calif., have ordered a total of five Learn4Life charters closed. Despite a clear violation of the state charter law, the chain is appealing their decisions.

In 2016, I wrote about the Learn4Life charter chain and its dismal results. The schools are cash cows — they have little overhead and provide minimal instruction to the at-risk population they serve. According to the San Diego Union Tribune, one charter in the chain, Diego Plus, collected \$26 million in taxpayer funds in 2016 and paid its chief executive \$295,462. Two of the high schools the judge ordered closed, Diego Valley and San Diego Workforce, had 2018 graduation rates of 28 percent and 20 percent. The Learn4Life chain has expanded into Ohio and Michigan and is attempting to open schools in Texas.

The Learn4Life website has a new look since I visited in 2016. It does not include the real names of its charter schools, which would allow parents to track school results and status. To get the school names, I had to speak with a supervisor. She told me that despite the new look, it was the same Learn4Life model — learning packets for students as young as 14 to complete and turn in.

Learn4Life has also gotten into the newest California charter business: home-school charters. California home-school charters attract families by giving parents money for enrichment activities such as trips to Disneyland even as they keep taxpayer dollars for themselves for administrative expenses.

Home-school charters receive between \$7,571 and \$9,269 in state funding for every enrollee. According to the Learn4Life supervisor with whom I spoke, the chain's home-charter school is called Apple Valley. The school provides curriculum to parents, she said.

How did Learn4Life get its start? At least four of its storefront charters received Charter Schools Program grants totaling \$875,000.

4. A nonprofit operator of migrant shelters, Southwest Key, coordinated with its for-profit organizations to bleed its charter schools into rat-infested classrooms.

A Texas charter school named East Austin College Prep made national news in 2019 when the New York Times reported complaints of raccoons and rats invading classrooms, rain pouring in through a leaky roof, and furniture occasionally falling through rickety floors. Yet, according to the story, the charter high school pays almost \$900,000 in annual rent to its landlord, Southwest Key Programs.

The school, which received a CSP grant of \$450,900, is owned by Southwest Key Programs, the nation's largest provider of shelters for migrant children who've been separated from their families at the border.

Although Southwest Key Programs and the entity that runs its charter schools, Promesa Charter Schools, are technically nonprofits, Southwest Key has several related for-profit organizations. According to Promesa's 2018 audit, Café del Sol provided lunch to the school for \$336,166 in 2017. Southwest Key Green Energy and Construction received \$36,801 from the charter school. Southwest Key's top employees were paid extraordinary salaries. According to the New York Times, Southwest Key founder Juan Sanchez was paid \$1.5 million in 2017. His wife, Jennifer Nelson, earned \$500,000 as a vice president, and Melody Chung, the chief financial officer, was paid \$1 million. All have resigned as a result of charges of financial impropriety, primarily relating to their network of migrant shelters. Complaints are also pending with the Texas Education Agency related to the company's charter schools.

Promesa was one of several cases of alleged self-dealing between a charter school and a for-profit company in 2019. Eddie Hundley, the former chief executive of Lincoln Memorial Academy, entered into a \$1.4 million, five-year contract between his private company and his charter school. Hundley's company, Total Life Prep, would provide curriculum and program design for that enormous sum. The day after his charter school was approved in 2018, he doubled his salary as chief executive to \$204,000. Lincoln Memorial Academy was taken over by the district.

Meanwhile, some state lawmakers allegedly have cashed in themselves. KUTV's 2019 investigation in Utah, Beyond the Books, identified former and present state lawmakers who, the station said, made millions off charter schools since 2000, as well as other lawmakers who profited from the charter sector.

5. The North Jersey Record uncovered hundreds of millions in taxpayer funds going to buildings owned by private interests, with charter schools paying inflated rents that far exceed building debt.

A 2019 [five-part series](#) written by a team of reporters from the North Jersey Record exposed the shady dealings hidden from the public eye that allow developers to cash in on public money and tax breaks by providing real estate to charter schools. The reporters found that information was buried so deeply in documents, it was difficult in many cases to find out who was making the profit.

The report resulted in a [federal grand jury subpoena](#) issued to the Thomas P. Marion Charter School in Newark. Its nonprofit “Friends of” organization purchased two public school buildings and flipped them for a profit of nearly \$10 million.

The newspaper’s [latest report](#) explains why the grand jury probe is expanding. The Newark Housing Authority agreed to sell two buildings for \$6 million to the Friends of Thomas P. Marion. But when the Friends “couldn’t raise the cash for the purchase,” the group “struck a deal” with developer Ian Mount, who later sold them to the group for \$16 million, with \$6.4 million in fees — more than the original selling price. In September 2018, the state financed this deal with bonds.

The IRS has also been investigating discount bonds issued to [TEAM Academy](#) of Newark. TEAM Academy is run by the KIPP charter chain. [According to NorthJersey.com](#), “TEAM Academy officials denied a public records request by [NorthJersey.com](#) for documents related to the IRS review last year, saying that they are part of an ‘investigation in progress by a government agency’ and that ‘disclosure of such records would be detrimental to the public interest.’”

TEAM Academy, one charter school in the wealthy KIPP chain, has received \$1,426,796 in federal CSP grants. There is no doubt that these scandals will continue into 2020 as more details unfold.

There are three important takeaways from the 2019 scandals described above.

The first is that they are only a sample of hundreds of charter scandals we identified last year. Like speeders on a dark country road, the scandals we log are the stories of those who got caught. Because of a lack of transparency and loose regulations, others slip under the radar. If the Houston Chronicle and the Texas Monitor had not been proactively looking at IDEA records and board minutes, the public would not be aware of IDEA’s excesses, and its top officials would be flying in a private jet today.

That brings us to the second takeaway: With few exceptions, most of the scandals I describe in this piece are perfectly legal under charter school law. Tammany Hall boss George Plunkitt referred to inappropriate but legal financial gain as “honest graft.” He [famously said](#), “I seen my opportunities and I took ‘em.”

It is difficult to understand how flying family members to fundraising dinners, throwing business to your for-profits and board members, and hiding self-dealing from the public eye are needed to promote educational innovation.

The final takeaway is how many of the schools involved in these scandals received their initial start-up funds from the federal Charter Schools Program. Even a perfunctory investigation into the prior dealings of the Parkers should have raised a red flag.

Until each state enacts serious reforms and imposes financial regulations and transparency laws on charter schools that match those of public schools, the hashtag #anotherdayanothercharterscandal will appear frequently on the Network for Public Education Twitter feed. And that is not in the best interests of the public or the charters that do not take advantage of taxpayer money or engage in profiteering and fraud.

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