

May 2016

CHARTER SCHOOL VULNERABILITIES TO WASTE, FRAUD, AND ABUSE

Federal Charter School Spending, Insufficient Authorizer Oversight, and Poor State & Local Oversight Leads to Growing Fraud Problem in Charter Schools

ABOUT THE AUTHOR



The Center for Popular Democracy is a nonprofit organization that promotes equity, opportunity, and a dynamic democracy in partnership with innovative base-building organizations, organizing networks and alliances, and progressive unions across the country.

This report is available at www.populardemocracy.org.

Charter School Vulnerabilities To Waste, Fraud, And Abuse

Federal Charter School Spending, Insufficient Authorizer Oversight, and Poor State & Local Oversight Leads to Growing Fraud Problem in Charter Schools

Center for Popular Democracy

May 2016

Executive Summary

Two years ago, the Center for Popular Democracy (CPD) issued a report demonstrating that charter schools in 15 states—about one-third of the states with charter schools—had experienced over \$100 million in reported fraud, waste, abuse, and mismanagement since 1994. Last year, we released a new report that found millions of dollars of new alleged and confirmed financial fraud, waste, abuse, and mismanagement in charter schools had come to light, bringing the new total to \$203 million.¹ This report offers further evidence that the money we *know* has been misused is just the tip of the iceberg. With the new alleged and confirmed financial fraud reported here, **the total fraud, waste, abuse, and mismanagement in charter schools has reached over \$216 million.**

Public funding for charter schools (including local, state, and federal expenditures) has reached over \$30 billion annually.² Yet, despite this tremendous ongoing investment of public dollars to charter schools, government at all levels has failed to implement systems that proactively monitor charter schools for fraud, waste, abuse, and mismanagement. While charter schools are subject to significant reporting requirements by various public agencies (including federal monitors, chartering entities, county superintendents, and state controllers and auditors), very few of these agencies regularly monitor for fraud.

The rapid expansion of the charter sector in recent years is of particular concern. Local and state entities charged with oversight of charters are quickly becoming overwhelmed. Yet the federal government continues to pour taxpayer dollars into this expansion project. Over the past 20 years, the federal Department of Education has spent over \$3.3 billion into states to scale up the number of charter schools without requiring strong oversight systems.³ As a result, millions in federal dollars have been lost to fraud, waste, or mismanagement. With the recent passage of the Every Student Succeeds Act (ESSA), the federal Department of Education is set to increase the pace of spending significantly over the next 10 years,⁴ doubling the total federal investment in charter schools in half the time. With the continuation of inadequate oversight mechanisms and the new influx of federal dollars likely under ESSA, the amount of federal, state, and local dollars at risk of being lost to fraud, waste, and abuse in the charter sector is only going to grow.