

Fraud and waste in California's charter schools

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Despite California's substantial investment in charter schools—now reaching \$6 billion annually—state law doesn't allow counties, local school districts, or the state government to proactively monitor the private groups that operate charter schools for fraud and waste.

In the Public Interest estimates that **the total amount of public money lost and stolen by California's charter school leaders has reached over \$149 million**. But that's only the tip of the iceberg—the vast majority of fraud and waste likely goes undetected because the state government doesn't proactively watch for fraud and waste, while school districts lack the statutory authority to effectively monitor and hold charter schools accountable.

Some charter school leaders have used public funds for personal expenses. For example, a 2017 *Los Angeles Times* investigation alleged that the founder of Los Angeles's Celerity Education Group charter school chain used the chain's credit card to purchase expensive meals, high-end salon visits, limousine trips, and luxury hotel stays with no evidence of paying the money back. Meanwhile, some Celerity teachers reported feeling forced to lean on students to fundraise for basic school supplies.

Some charter school leaders have used public funds to illegally support their own businesses. For example, a 2017 state audit exposed an entrenched culture of self-dealing at the Bay Area's Tri-Valley Learning Corporation orchestrated by the operator's former CEO. Auditors found that Tri-Valley had failed to disclose numerous conflict-of-interest relationships and misappropriated public funds, including tax-exempt public bonds totaling over \$67 million. According to auditors, internal controls were "so weak" that the CEO was able to divert \$2.7 million in public funds without any supporting documents over a span of five years.

Some charter schools have mismanaged public money and schools. In May 2017, the National School District revoked Beacon Classical Academy's charter due to fiscal mismanagement and safety concerns, among other issues. According to *The San Diego Union-Tribune*, the district superintendent cited a lack of academic progress by students, questionable financial audits, board meetings that violated open meeting laws, and the violation of student and staff privacy rights as some of the "grave errors in the administration of the program (that) continue to persist."

California's charter school oversight system is broken. There simply aren't enough auditors on the beat, while local school districts have limited authority over operators. Decisions to hold charter schools accountable by districts and counties can be overruled by the state. And charter school operators are allowed to inconsistently comply with existing transparency requirements.

Without reform, the public stands to lose untold amounts of money, which will harm students. Fraud and waste by charter schools has dire consequences for all of California's students. Many of the state's local school districts are facing budget deficits and tough decisions—like the Oakland Unified School District, which recently made \$9 million in cuts halfway through the school year, including decreasing supplies, books, and programs.