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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

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December 17, 2019

The Honorable Betsy DeVos
Secretary
U.S. Department of Education
400 Maryland Ave, S.W.
Washington, DC 20202

Dear Secretary DeVos:

As Ranking Member of the Homeland Security and Governmental Affairs Committee, I am committed to ensuring that taxpayer dollars are spent responsibly and used for the public good. One of the most important investments that we make as Americans is to provide high-quality public education for our children. I write today to express outrage over recent reporting that the Department of Education Charter Schools Program (CSP) has disbursed over \$500 million since 2006 to fund charter schools that were either closed or never opened, diverting critical resources away from public school students.

A recent study conducted by the Network for Public Education (NPE) of data released by the Department found that the federal government funded nearly 1,800 closed or never-opened charter schools across the country. These defunct schools received about 4,800 grants at a cost of \$504,517,391 to taxpayers. In Michigan, 112 defunct charter schools were awarded \$21 million in grants, and 72 of these schools never opened.¹

This data, produced by your Department, represents only a part of the costs incurred by Michiganders and other Americans. Rather than giving students choices, each charter school that closed or failed to open meant that communities missed out on more than half a billion dollars in resources that could have benefitted neighborhood schools. As Secretary of Education, I expect you to put students first and ensure that Michigan families' hard-earned tax dollars are being used appropriately. But, your Department's stunning lack of oversight of this charter school program has instead left students and their families worse off.

¹ "Still Asleep at the Wheel: How the Federal Charter Schools Program Results in a Pileup of Fraud and Waste," Network for Public Education (Dec. 6, 2019; link: <https://networkforpubliceducation.org/wp-content/uploads/2019/12/Still-Asleep-at-the-Wheel.pdf>)

Your Department's own Inspector General (IG) published a report last September on charter school grant making that found "the risk of significant fraud, waste, and abuse of Federal programs funds is high" because of your Department's lack of guidance and oversight of State Educational Agencies (SEAs).² Rather than addressing the IG's concerns, your Department claimed that intervening in the school closures would be "inconsistent with the Federal role in education," a view that the IG disagreed with.³

It is not difficult to imagine that bad actors would see the Department's willingness to turn a blind eye to anything resembling regulation of charter schools, while also handing out millions of no-strings-attached grants, as an opportunity. Because, while charter schools are legally "non-profits," many are managed by for-profit companies. In Michigan, about 80% of charter schools operate in this way – creating conditions for abuse by people more interested in defrauding taxpayers than educating our children.

To help me understand the actions taken by the Department to address the serious problems uncovered by the NPE report and the IG audit, please provide answers to the following:

1. The NPE found that of all CSP grants awarded from 2006 to 2015 to 43 states, 4,829 of those grants were used for 1,779 schools that are now closed or never opened. They calculate this to represent \$504,517,391 in waste, fraud, or abuse. What is the Department doing to address this?
2. According to the NPE report, nine states had greater than 50 percent sub-grantee failure, and many other states have more than a third of sub-grantee charter schools close or fail to open. What accountability measures, if any, has the Department implemented for SEAs or sub-grantees that utilize federal funds through the CSP? Please provide a list of all reporting requirements for SEAs or other grantees receiving support through the CSP.
3. The IG audit report found numerous issues with oversight of the CSP grant program, including continued awards of grants to states and charter operators with poor performance records. What changes will the Department be making relating to its oversight of CSP grants and grantees? Please provide information on the efforts being taken.
4. How will the Department ensure that federal grants are not improperly given to charter schools that, while nominally non-profit institutions, are managed by for-profit entities, that seem likely to take grants such as these for their own financial advantage rather than for the benefit of students?

² "Nationwide Audit of Oversight of Closed Charter Schools," Department of Education, Office of Inspector General (Sep. 28, 2018; link: <https://www2.ed.gov/about/offices/list/oig/auditreports/fy2018/a02m0011.pdf>)

³ *Id.*

As this matter concerns the education and well-being of our nation's children and our public school system, I expect it will receive your undivided attention. I look forward to a prompt and thorough response.

Sincerely,

A handwritten signature in blue ink that reads "Gary C. Peters". The signature is written in a cursive style with a horizontal line underneath it.

Gary C. Peters
Ranking Member
Senate Homeland Security and
Governmental Affairs Committee