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UNITED STATES
HOUSE OF REPRESENTATIVES

ROSA L. DELAURO
3RD DISTRICT, CONNECTICUT

CHAIR, COMMITTEE ON APPROPRIATIONS
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CHAIR
LABOR, HEALTH AND HUMAN SERVICES,
EDUCATION, AND RELATED AGENCIES

April 18, 2022

The Honorable Miguel Cardona
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202

Dear Secretary Cardona,

In July 2021, House Democrats passed the fiscal year 2022 Labor, Health and Human Services, Education, and Related Agencies appropriations bill which included a landmark provision prohibiting federal funding to charter schools run by for-profit education management organizations (EMOs). Under these management relationships, charters accept federal funds only to have their schools run by low-quality, for-profit companies rife with conflicts of interest. The provision was designed to safeguard our critical federal investments in education and protect us all from the financial risks posed by for-profit charter schools.

Predictably, the for-profit charter EMOs were not pleased with this legislative development. In response, their national trade organization led a well-funded misinformation campaign incorrectly claiming that the provision would prevent federal funds from going to any charter school that uses a contractor for any discrete service. These unserious efforts and false claims were advanced by their national trade organization to shift outrage and attention away from the risky, low-quality for-profit charter schools they represent.

Their national trade organization is employing similar tactics through the exaggerations and misrepresentations they are spreading in opposition to the Department's reasonable proposed regulations for the fiscal year 2022 Charter Schools Program (CSP) competitions. Rather than accommodate the bad faith efforts of a trade organization that advocates for for-profit EMOs, the Department should move forward with its strong proposals to improve accountability and transparency for the CSP program.

For-profit EMOs

The Department has long recognized the particular risks posed by for-profit EMOs. In response to a 2016 audit, the Department conceded to the Inspector General, “ED is well aware of the challenges and risks posed by CMOs and, **in particular, EMOs**, that enter into contracts to manage the day-to-day operations of charter schools that receive Federal funds. We recognize that the proliferation of charter schools with these relationships has introduced potential risks with respect to conflicts of interest, related-party transactions, and fiscal accountability, particularly in regard to the use of federal funds.”

Such EMO-related conflicts are on clear display in the example of AmeriSchools in Arizona. Four AmeriSchools charter schools were chartered by Reginald Barr. His late wife Sandra was the president of the schools’ board. The schools pay the EMO Edventure to manage all activities and programs; Sixty Five Plus to lease their building; and One Employment Plus to pay school employee salaries. All three for-profit companies are owned by the Barrs. Ownership of One Employment Plus is also shared by the Barrs’ daughter, Deborah LeBlanc, who also sits on the schools’ board.

In addition, for-profit charter schools, including those run by for-profit EMOs, deliver concerning outcomes for students. A 2017 report from Stanford University’s Center for Research on Education Outcomes compared student performance at non-profit charters, for-profit charters, and traditional public schools and found that for-profit charters perform worse in reading, and significantly worse in math, than non-profit charters. In addition, the report found that for-profit charters perform worse in math than traditional public schools.

In light of these serious concerns, I am pleased that the proposed rule includes a clear requirement that a charter school receiving CSP funding cannot contract with a for-profit EMO; however, when considering the complicated web of for-profit conflicts in the AmeriSchools example, I recommend a modest edit to the proposed language:

- (a) Each charter school receiving CSP funding must provide an assurance that it has not and will not enter into a contract with a for-profit management organization, including a non-profit management organization operated by or on behalf of a for-profit entity, under which the management organization **and its related entities** exercise(s) full or substantial administrative control over the charter school and, thereby, the CSP project.*

Community Impact Analysis

The Department’s proposed requirement for CSP recipients to provide a community impact analysis will generate essential information to assist the Department’s grantmaking decisions. The language, which requires “descriptions of the community support and unmet demand for the charter school, including any over-enrollment of existing public schools or other information that demonstrates demand for the charter school...,” will generate helpful information for the Department and the public. I strongly urge you to retain this specific language in the final rule.

In addition, the Department's proposed language aimed at determining whether a proposed charter school will increase racial or socio-economic segregation or isolation in the schools that the students currently attend is vitally important. I strongly urge the Department to retain this language to guarantee that CSP grants do not inadvertently exacerbate inequities in our public education system.

Charter School and Traditional Public School or District Collaborations That Benefit Students and Families

I strongly agree with the Department's goal to support more CSP grants that strengthen both charter schools as well as the local public school system by establishing a new competitive preference priority (CPP). I am encouraged by the potential for CSP grants to support charters and districts through collaborations around curricula, teacher and school leader development, transportation, and other areas of shared interest. For this vision of collaboration to succeed within CSP, I urge the Department to include this priority as a CPP in the fiscal year 2022 CMO and Developer Grants competitions.

I applaud the Department for its efforts to introduce greater accountability and transparency in the CSP program. Further, I urge the Department to disregard bad faith arguments from self-interested organizations that misrepresent these important proposals. Thank you for your attention to this matter.

Sincerely,



Rosa L. DeLauro

Chair

House Appropriations Committee