

April 9, 2019

Honorable Stephen Sweeney
President, New Jersey Senate
Trenton, NJ 08625

Honorable Craig Coughlin
Speaker, New Jersey Assembly
Trenton, NJ 08625

Re: Charter Schools' Improper Practices: Request for Investigation

Dear Senate President Sweeney and Speaker Coughlin:

As you may be aware, The Record published a five-part, in-depth report on March 27, 2019, entitled "Cashing in on Charter Schools, Millions of your Taxpayer Dollars have Disappeared into New Jersey's Flawed Charter Experiment."

This report provides detailed and extensive facts, data and other evidence on a variety of complex, questionable and potentially improper practices by New Jersey charter schools pertaining to the direct and indirect public funding of the operations and facilities of those schools. Among the practices identified in the report are the following:

- 1) Rent payments far in excess of market rates or building costs;
- 2) Using loopholes to secure federal support for property owned by public entities which then ends up in private companies related to charter schools;
- 3) Paying excessive interest rates and fees on property transactions;
- 4) Paying rent on empty buildings;
- 5) Paying excessive and unidentified fees hidden in leases and rent payments;
- 6) Flipping properties between related companies at inflated prices, paid with or financed by tax dollars;
- 7) Purchasing bonds at discounted prices with public paying interest at higher price;
- 8) Receiving aid even though charter school has closed; and
- 9) Approving public bond financing for troubled charter schools.

Under New Jersey's Charter School Program Act, N.J.S.A. 18A:36A-1 to 18, the sole and exclusive authority governing the initial approval and ongoing supervision of all charter schools, including renaissance charter schools, is the Department of Education (DOE) and Commissioner of Education. The Record report also highlighted lax or non-existent oversight of the charter school program by the DOE, including the failure to review charter school facilities purchases and financing and lease rental agreements that will be paid through state and local school funding. Further, the report shows there is no process for DOE review and approval of transactions to purchase property and buildings for charter schools to ensure financial viability and transparency.

Finally, the report brings to light the pivotal role played by the New Jersey Economic Development Authority (EDA) in the rapid expansion of charter schools over the last decade, documenting the over \$800 million in bonds issued by the agency to finance the purchase, construction or renovation of charter school facilities with no standards in place to safeguard and protect the taxpayers' investment.

At a time when our public schools are chronically underfunded and additional resources are urgently needed for school facilities projects in school districts across the state, any misuse, waste and/or neglect of taxpayer dollars devoted to public education is a serious matter warranting legislative investigation and, where necessary, corrective action. The improper practices and misuse of public funds exhaustively documented in The Record report clearly rise to that level, along with the apparent failures of the DOE and the EDA to provide robust and comprehensive accountability and oversight of the charter school program and the financing of charter school facilities.

Accordingly, the organizations listed below request that you promptly appoint and empower a joint oversight committee of the Senate and Assembly to conduct a full and thorough investigation into the range of improper practices detailed in the report and any further matters uncovered by that investigation. The oversight committee should further be directed to investigate current rules, standards, requirements, staffing and all other matters directly related to any failures by the DOE and the EDA to provide proper oversight and public accountability for the charter school program and the schools' use of public funds, whether operational school funding or publicly financed bonds and other mechanisms to purchase, construct or renovate charter school facilities.

To carry out this crucial task in a timely manner, the joint oversight committee should be authorized to hold hearings and call witnesses – including but not limited to present and former State officials; charter school administrators, employees and board members; charter school management organizations; related companies and/or entities and/or financial backers. The committee should be given subpoena power and the ability to refer matters to the Attorney General for further action. Finally, the oversight committee should issue a full report of its findings, conclusions and recommendations for administrative and/or legislative reforms to ensure the charter school program functions consistent with the law and with the full confidence of New Jersey taxpayers.

We stand ready to assist you in responding to this request. Thank you for your prompt attention to this matter.

Signed,

Education Law Center

Latino Action Network

Newark Parent Leaders Education Policy Collaborative

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NJ Communities United

NJ PTA

Parent Education Organizing Council

Paterson Education Fund

Save Our Schools NJ (SOSNJ)

SPAN Parent Advocacy Network