

PUBLIC FUNDING, LITTLE OVERSIGHT

Charter

Questionable financial arrangements at charter school, affiliates

WATCHDOG REPORT: CHARTER SCHOOLS

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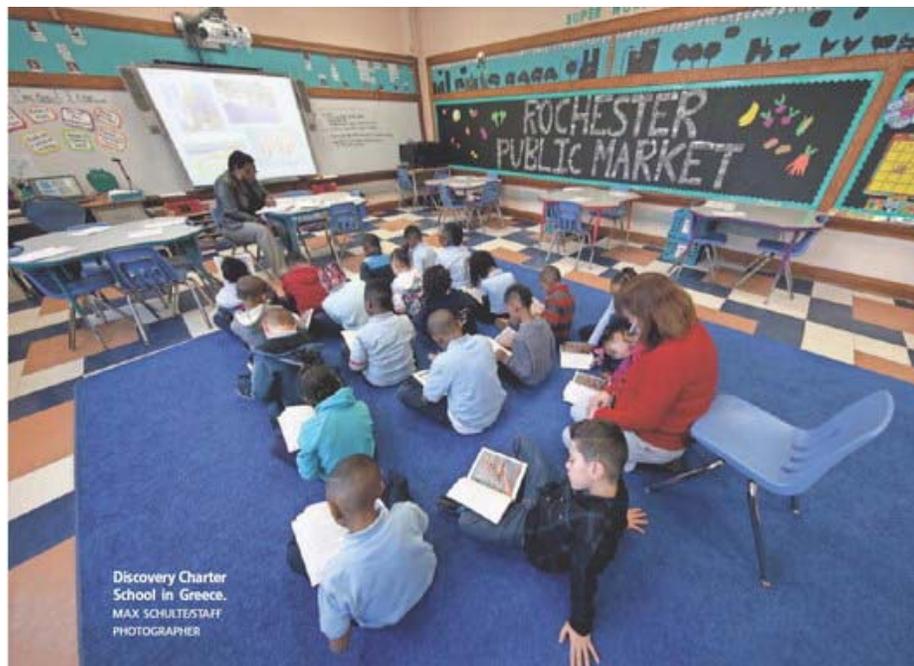
On paper, 133 Hoover Drive in Greece seems like a bustling marketplace.

A charter elementary school leases space from its landlord, a holding company, and, in turn, sub-leases to a tutoring company. It contracts with an outside group for its administrative services. A charitable foundation with real estate interests of its own infuses cash, doling out benevolences from more than \$8 million in assets.

In reality, the money isn't changing hands as much as changing pockets. All those entities and others are part of the Education Success Network (ESN), controlled by a group of local education reform advocates with influential business and political connections. Its affiliates have taken in millions of taxpayer dollars with little oversight.

There is no evidence of money being diverted for any individual's private gain. ESN's inherently tangled interests, however, are an example of the concerns many educators have with the charter school

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Discovery Charter School in Greece.

MAX SCHULTE/STAFF PHOTOGRAPHER

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model, in which private entities are entrusted with taxpayer money to do the public work of teaching children — work that, in Discovery's case, has led to little demonstrable improvement by students.

A *Democrat and Chronicle* investigation of the charter network uncovered a number of instances of questionable financial and management practices.

A Discovery trustee signed several contracts with the school on behalf of another party. One of them was its \$608,000 building lease, which is double the median rate for facilities costs at Monroe County charter schools.

Similarly, the nonprofit Education Success Foundation collected \$360,000 in rent from the Norman Howard School in 2013-14 for a building addition that was completed 15 years ago after a public fundraising campaign.

In April 2015, Discovery asked for \$197,000 in grant money for improvements to its school without disclosing that the building is owned by an affiliated, private real estate holding company. According to the school, that was a clerical error by a grant writer.

Charter school growth

The number of charter schools in the United States has exploded in the last decade, part of what is known as the reform agenda in education.

Advocates point to dismal results in urban school districts across the country and say it is important to offer other options for those parents. Their dedication to market-based solutions and quantitative measurement make charter schools particularly popular among business leaders.

The schools receive a per-pupil allotment for each student they take in and have wide autonomy in how to spend it. Their finances and meetings are a matter of public record, but their boards are appointed, not elected, and they must demonstrate progress or face revocation of their charter by the state — in New York, within five years.

While the schools are subject to state Freedom of Information and Open Meetings laws, their smaller size leads in practice to a lack of public attention to their business and academic dealings. They also contract out for more services than traditional districts, decreasing transparency in how exactly that money is spent since the services are provided by private operators.

While many U.S. charter schools, including those in Rochester, have maintained strict standards of governance, the industry has been plagued since its inception by shadowy operators who see the schools as easy revenue sources, mainly through questionable real estate deals and contract letting.

Related-party transactions like those within ESN make it difficult to determine if measures are in place “to guard against favoritism, ... fraud and corruption,” as state law requires.

“As long as any public service is put under private authority, it can't really serve the public in any meaning of the word,” said Shawgi Tell, an education professor at Nazareth College and vocal charter school critic.

A recent report by the National Education Policy Center on the business model behind charter schools found

that “a substantial share of public expenditure intended for the delivery of direct educational services to children is being extracted inadvertently or intentionally for personal or business financial gain.” Among other recommendations, it encourages states to write regulations that “ensure appropriate degrees of independence among interested parties.”

The Alliance for Quality Education, a statewide coalition critical of charter schools, estimated up to \$54 million in public funding was lost to fraud in New York charter schools in 2014. And the New York state Comptroller’s Office has cited a number of charter schools for financial mismanagement.

A January 2013 audit of Rochester’s Eugenio Maria de Hostos Charter School, for example, revealed that the school had entered into a building lease and instructional contract with entities affiliated with board members. It paid more than \$100,000 to a cleaning company affiliated with a board member’s brother.

The school has since tightened up its procurement process, co-founder and board chairman Julio Vazquez said.

Close relationships

ESN, a nonprofit, makes no secret of its model. It provides administrative support to Discovery Charter School and the Norman Howard School, for students with disabilities, while also serving as an umbrella organization for a number of related entities. The network includes a charitable foundation, at least three real estate holding companies and EnCompass: Resources for Learning, a tutoring company that has gained lucrative contracts in the Rochester City School District and elsewhere.

All those entities have a common denominator in Joseph Martino, the former principal accountability officer for Monroe County and trusted deputy to former County Executive Maggie Brooks. He maintained that having several related organizations under one umbrella lowers overhead costs, buffers against the budgetary travails of opening a charter school and increases the number of atrisk children it can reach through its various programs.

Martino serves as CEO or executive director of ESN, the charitable Education Success Foundation, EnCompass: Resources for Learning and the Norman Howard School; he also sits on the board of trustees for Discovery and signs documents on behalf of some real estate holding companies.

Susan Lerner, executive director of the good government group Common Cause New York, said such interlocking relationships make it impossible for any one entity to act independently.

“When you have organizations that are interlocking, whether goals are same or not, there’s a conflict in terms of who is actually representing who in a discussion,” she said. “Different entities should be represented independently by boards that are concerned with that organization, and not some other organization they’re affiliated with.”

Martino is one of half a dozen prominent former Monroe County officials connected to the operation, including the county’s current and former chief financial officers. The network’s volunteer board also includes local business heavyweights like chairman Richard Sands of Constellation Brands and John “Dutch” Summers, an influential developer and industrialist whose wife, Sandy Parker, stepped down last year as Rochester Business Alliance president.

Summers also sits on the board of directors for the Hillside Work-Scholarship Program, which has its own \$325,000 contract with ESN.

In New York, charter school oversight falls to the state comptroller, Thomas DiNapoli, as well as the school's chartering organization. For Discovery Charter School in Greece, that is the New York Board of Regents.

The New York State Education Department and Attorney General Eric Schneiderman did not respond to requests for comment on alleged mismanagement within the Education Success Network, while a spokesman for DiNapoli declined to comment.

More schools

ESN recently received state approval to open a second charter school, Exploration Charter School for Science and Technology. Discovery Director Joseph Saia, EnCompass Director of Education Lisa Hiley and Monroe County Chief Financial Officer Robert Franklin are among its trustees.

Additionally, the group applied to the state Board of Regents in June to open a third elementary school, to be called Rochester College and Career Charter School. Its board president would be Wegmans Director of Human Resources Sarah Armignacco, who is the former president of Hillside Work-Scholarship Connection and a Discovery trustee. Sarah Hodges, the co-head of Norman Howard, would also serve as a trustee.

The application advanced to the next stage of the authorization process last summer, but the trustees instead decided to withdraw for the time being.

Discovery may have difficulty when it comes up for renewed state approval in the next few months. While internal data shared by Saia shows some incremental progress, just 10 percent of its students demonstrated proficiency in English and 8 percent in math on the 2015 state exams.

By comparison, 31 percent of students statewide were proficient in English and 38 percent in math. In the Rochester City School District, it was 5 percent proficient in English and 7 percent in math.

Discovery board chairman David Vigren said the low number of students considered proficient is a misleading measure. He pointed to state data showing progress in moving children up on the state's 1-4 scale.

Discovery's initial five-year charter must be renewed for the school to remain open in 2016-17 and beyond. The Board of Regents has not yet set a date to vote on that question.

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Discovery Charter School in Greece opened in 2011 in the former Greece Odyssey Academy building on Hoover Drive.

MAX SCHULTE/@MAXROCPHOTO/STAFF PHOTOGRAPHER

“AS LONG AS ANY PUBLIC
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SHAWGI TELL

EDUCATION PROFESSOR AT NAZARETH COLLEGE