
The New York Times

Collapse of 60 Charter Schools Leaves Californians Scrambling

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September 17, 2004

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Retrieved 09/17/04 from

<http://www.nytimes.com/2004/09/17/education/17charter.html?th>

Ken Larson was pacing the floor of his office in a tiny elementary school in Oro Grande, Calif., surrounded by the chaos of fax lines beeping, three beleaguered secretaries peppering him with questions and phone lines ringing for the umpteenth time.

It had been a month since one of the nation's largest charter school operators collapsed, leaving 6,000 students with no school to attend this fall. The businessman who used \$100 million in state financing to build an empire of 60 mostly storefront schools had simply abandoned his headquarters as bankruptcy loomed, refusing to take phone calls. That left Mr. Larson, a school superintendent whose district licensed dozens of the schools, to clean up the mess.

"Hysterical parents are calling us, swearing and shouting," Mr. Larson said in an interview in Oro Grande last week. "People are walking off with assets all over the state. We're absolutely sinking."

The disintegration of the California Charter Academy, the largest chain of publicly financed but privately run charter schools to slide into insolvency, offers a sobering picture of what can follow. Thousands of parents were forced into a last-minute search for alternate schools, and some are still looking; many teachers remain jobless; and students' academic records are at risk in abandoned school sites across California.

Investigators are sifting through records seeking causes of the disaster, which has raised new questions about how charter schools are regulated.

"Until the Charter Academy went into its tailspin, few people predicted that these crashes could be so bloody, but this has been a catastrophe for many people," said Bruce Fuller, a

professor of education at the University of California, Berkeley. "The critics of market-oriented reforms warned of risks with the philosophy of let-the-buyer-beware, but in this case, buyers were just totally hung out to dry."

Jack O'Connell, the California superintendent of schools, said in an interview that a majority of the state's 537 charter schools were making a solid contribution to public education. But Mr. O'Connell has concluded from the disaster that the state must apply "tough love" in regulating them, "to keep this kind of near-bankruptcy and chaos from happening again," he said.

"If there's mismanagement and malfeasance, we'll come in and put you out of business," he said.

Back in 1999, the national movement to provide alternatives to parents through charter schools, which face less burdensome regulation than other public schools, was gaining steam. Many charter schools have since flourished, and experts say that some of them offer an excellent education. But in Southern California, there were signs of trouble soon after C. Steven Cox, a former insurance executive whose only educational credential was his brief service on a local school board, founded the Charter Academy.

State auditors are now scrutinizing Mr. Cox's financial records to determine whether he exaggerated enrollments and to sort out claims from a line of creditors, said Scott Hannan, director of school fiscal services at the California Department of Education.

"But our highest priority is securing the student records," Mr. Hannan said. That is a sore point with Mr. Larson, who said that thousands of students' immunization and academic records had been virtually abandoned all across California.

Mr. Larson, superintendent of a tiny school district in Oro Grande, a Mojave Desert village 88 miles northeast of Los Angeles that looks like a set for "Bad Day at Black Rock," has converted a storeroom at his school into a warehouse for the records. He has arranged for dozens of file cabinets holding student records to be trucked to Oro Grande from schools that have closed across the Mojave Desert, he said, but he has no way to collect records and equipment left behind elsewhere.

Mr. Larson said Mr. Cox approached him in 2001, preaching the charter school gospel that money spent on filing reports to government regulators would be better spent in classrooms, and asking the Oro Grande district to license him to found charter schools. The Oro Grande school board approved the idea, and two other California districts forged similar relationships with Mr. Cox between 1999 and 2001.