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**California Schools' Audit Shows Excessive Spending And Overpayments To Chain Of
Charter Schools**

By Patricia Hawke

Superintendent of Instruction for the California schools, Jack O'Connell, initiated an audit more than a year ago into the fiscal concerns of the Options for Youth and Opportunities for Learning (OYO) schools. The OYO is a chain of independent study charter schools within the California schools system, which are privately run but funded by the state.

The OYO California schools serve students who have dropped out of the traditional high schools. They currently have about 15,000 students in 40 storefront locations across the state. These California schools students do most of their work at home, meeting with teachers twice a week. According to state records, student achievement test and high school exit exam scores are above average, as compared to other alternative high schools within the California schools system. According to a Los Angeles Times article of August 10th, only 11 percent of OYO students graduated during the 2003-2004 school year. The remainder of students that left school that year either dropped out, were expelled, or transferred to other schools.

The California schools' audit was conducted by the Fiscal Crisis and Management Assistance Team, who concluded their analysis and presented their findings in a report that was released in August 2006. The audit cites accounting defects, overpayments by the state, conflicts of interest, nepotism, excessive compensation, and mixing private business concerns with public schools.

The OYO was founded and still operated by John and Joan Hall, former teachers from Hollywood High School. They have fully cooperated with the California schools' audit, but dispute most of the findings.

Some examples from the audit report are:

·Accounting Defects and Overpayments. The Halls count each of their teachers as 1.92 full-time positions. Their spokesperson, Stevan Allen, stated that this is a common practice for charter schools in the California schools system and is a legitimate method for compensating school staff for longer days and year-round schedules. California schools superintendent O'Connell believes teachers should

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be counted only as one full-time position each. The auditors disagreed, citing that traditional California schools teachers spend much less time working each year than those at OYO. However, the auditors believed the 1.92 amount is inflated. This example, alone, accounts for more than half of the \$57 million overpayment.

Additionally, the report noted several questionable expenses. One example of unrestrained spending, given by the Times was an \$18,000 staff party held at Disneyland. Allen defended that event as an attempt at relationship building between staff members, who are scattered across the state. He noted that the costs was less than \$50 per staff member.

·Conflicts of Interest and Mixing Private Business with Public Schools. Besides the charter schools, the Halls own and operate several private businesses that sell materials and services to schools. The Times noted that the Options in OYO was the nonprofit part of the setup, with the Opportunities part being for-profit. The audit calls this practice and setup into question.

·Excessive Compensation. The audit also questions the combined salaries for the Halls, which is \$600,000 annually. The report states that it may be excessive for the amount of time the couple actually works.

·Nepotism. The Halls created a separate charity with \$10.8 million of the California schools' funding, called Pathways in Education. The charity is run by their daughter, Jamie Hall. Little money has been spent toward education thus far.

The Halls contend that they previously had requested guidance on their operation from the California schools many times, but never received any response. Thus, they tried to follow California schools requirements as best they could with their understanding of the policies. Even O'Connell conceded that none of the cited practices are illegal.

The audit recommends the California schools should attempt to recover the \$57 million in overpayment from the OYO. O'Connell has sent the report to the state's attorney general's office for review and any necessary action.

Patricia Hawke is a staff writer for Schools K-12, providing free, in-depth reports on all U.S. public and private K-12 schools. Patricia has a nose for research and writes stimulating news and views on school issues. For more information on California schools visit

<http://www.schoolsk-12.com/California/index.html>

Baltimore Schools Lose In Court -- Ruling Favored Charter Schools

By Patricia Hawke

In 2005, City Neighbors and Patterson Park Public, two charter schools in Baltimore, appealed the Baltimore schools' per student funding formula to the state board. The board ruled in their favor, and

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the Baltimore schools appealed the board's decision in the Court of Special Appeals, Maryland's second highest court. Early this month, the court ruled in favor of the charter schools, requiring Maryland school systems to spend as much money per student at charter schools as they spend at their traditional schools.

Charter schools are publicly funded, but they operate independently under contracts with local school boards. Of the 24 charter schools in the state of Maryland, 17 are located in the Baltimore schools system.

The Baltimore schools' per student funding formula differs between their traditional schools and charter schools. Traditional schools receive the equivalent of approximately \$11,000 per student. Charter schools receive \$5,859 per student in cash, with the remainder received in services provided to the schools by the Baltimore schools system, such as special education and food. City Neighbors and Patterson Park Public contend that this formula limits their ability to choose how to provide services to their students, and the court agreed.

After the court handed down its ruling, the Baltimore schools board met in executive session, issuing a vaguely worded statement. It reiterated that the Baltimore schools remain a strong supporter of charters schools, but believe the recent court ruling will hurt the traditional schools by imposing a financial hardship on the vast majority of them. The statement further noted that the ruling could result in traditional schools receiving less per student funding than the charter schools. Additionally, the statement said that the board is fully committed to complying with the law, but it leaves open the possibility of an appeal by stating that the Baltimore schools board "feels obligated to fully consider its legal options."

After the statement was released, City Neighbors board President Bobbi Macdonald stated that they were not asking for more money, only equity within the Baltimore schools system. City Neighbors attorney Will DuBois underscored the fact that both the state board and the court agreed on a funding model that achieves the parity sought by the two charter schools.

The charter schools hope to meet with the Baltimore schools to discuss the court's ruling. They would like to move forward with the Baltimore schools board toward the interest of all Baltimore schools students. Meanwhile, the Baltimore schools board Chairman Brian D. Morris stated that the Baltimore schools currently is analyzing the financial impact of the court's ruling.

Patricia Hawke is a staff writer for Schools K–12, providing free, in–depth reports on all U.S. public and private K–12 schools. For more information on Baltimore schools visit

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