

Power Players Behind the Corporate Takeover of Pennsylvania Schools



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INTRODUCTION

Pennsylvania Governor Borrows from ALEC Playbook

Since he was elected into office in the Republican wave of 2010, Pennsylvania Governor Tom Corbett has pursued an agenda straight out of the American Legislative Exchange Council's playbook.

Corbett led the effort to adopt one of the strictest voter ID laws in the nation (a measure later halted by the courts); signed new "Stand Your Ground" legislation based on the ALEC/NRA model; supported ALEC bills to undermine the federal Affordable Care Act; and backed ALEC-inspired legislation geared toward making it harder for consumers to seek justice in Pennsylvania courts. Like ALEC, Corbett has consistently opposed minimum wage increases and attacked unions, this year with a verbatim ALEC "Pay-check Protection" bill. Now he is attempting to privatize the state's pension plan, another ALEC priority that would gamble the saved retirement of teachers and other public employees on Wall Street.

But it is Corbett's corporatist schools agenda that is haunting him today. Corbett cut \$1.1 billion from education in his 2011 budget,¹ and since taking office he has attempted to starve the state as well, signing legislation that cut taxes on businesses by about \$1.2 billion, reports the *Washington Post*.² Corbett and his allies in the state legislature have dished up bill after bill from the ALEC library to create new voucher schools, further subsidize charter and cyber schools, demonize teachers, and weaken unions.

Hardest hit have been the children, especially in cities like Philadelphia. One-third of the cuts in the 2011-2012 budget fell on the Philadelphia school district, resulting in the closure of 23 schools, the firing of over 3,000 staff, and a big jump in class sizes. For the 2014 school year, Philadelphia schools will need an additional \$100 million

to provide a minimal education, which its superintendent says would still be "wholly inadequate."

While neighborhood schools are staggering, "charter schools" continue to proliferate. Public charters were first authorized in Pennsylvania in 1997. The schools receive funds from the local districts based on the per-pupil cost in that district; in Pennsylvania this number ranges widely from \$5,794 (Chester Upland School District) to \$16,389 (Lower Merion School District). In Pennsylvania, only 75% of the full-time teachers in charters have to be licensed, and salaries are on average significantly lower than in traditional schools. Charter schools are also exempt from most state regulations, and there is little public transparency regarding their management. In addition to siphoning direct aid from school districts, charter schools receive funding via tax-deductible donations from wealthy corporate backers. The business gets the write-off; the taxpayers foot the bill in lost revenue. Online charter schools, or "cybers," were established in Pennsylvania in 2002.

Today, there are 162 brick-and-mortar charter schools in the state and 14 cyber schools. For many years now, it has been clear that charter schools in Pennsylvania fail to perform as well as public schools. One state measure of



Pennsylvania Gov. Tom Corbett

academic success used a scale of 100 to score schools in 2012–2013 school year. For traditional public schools the average score was 77, for charter schools it was 66 and for cyber schools 47. No cyber school managed to meet 70, the minimum standard. Eight cyber schools failed to garner 50 points – a failing grade by any measure.³

A 2013 study conducted by the Center for Research on Education Outcomes (CREDO) at Stanford University revealed that “[Pennsylvania] charter students on average are covering 29 days less material in reading and 50 days less in math, placing them in the bottom three states.” This does not imply fewer school days; rather, it means that the knowledge gap between charter and non-charter students amounts to 29 and 50 days of school.

Yet charter schools are given special treatment in Pennsylvania. Many charters have been improperly charging the state rental fees for buildings that they own. The state auditor calls this practice “ridiculous” and oversight of Pennsylvania charter schools “a mess.” Yet the state legislature has so far failed to take decisive action.⁴

This recipe of cuts for public schools, subsidies for charter schools, and tax giveaways for business, has put schools at the top of the list of voter concerns, even above the

sluggish economy in one poll. Seventy-seven percent of Pennsylvania voters are very worried about the situation, and a majority supports tax increases and an end to further corporate tax cuts.⁵

Corbett’s education policies are tanking his approval ratings. So it is not surprising that behind closed doors his supporters – particularly those pushing for the privatization of education – are urging him to shift the blame.

“With Governor Corbett’s weak job approval, re-elect and ballot support numbers, the current Philadelphia school crisis presents an opportunity for the Governor to wedge the electorate on an issue that is favorable to him,” says a secret poll leaked to the *Philadelphia City Paper*.⁶ That poll, conducted by Republican firm Public Opinion Strategies and paid for by “education reform” group PennCAN,⁷ found that voters “overwhelmingly disapprove of the way Corbett’s handling” education issues in the state. The answer? Shifting the blame by attacking the teachers’ unions that have fought the cuts. “Staging this battle presents Corbett with an opportunity to coalesce his base, focus on a key emerging issue in the state, and campaign against an ‘enemy’ that’s going to aggressively oppose him in 2014 in any case.”

EXECUTIVE SUMMARY

Spotlight on Pennsylvania Power Players

In 2007, Philly rolled out the red carpet for state legislators and lobbyists attending the annual “State and Nation” policy summit of the American Legislative Exchange Council. Pennsylvania legislators appropriated a whopping \$50,000 of taxpayer money to help pay for the event, including \$3,000 for cheesecake lollipops.

The event apparently had a lasting impact as the ALEC agenda has continued to roll through the hallways of the state capitol in Harrisburg in the years since. After Governor Corbett took office in 2010, ALEC bills were introduced and signed into law. To accomplish this feat a well-orchestrated cast of characters -- including politicians, state “think tanks” and advocacy organizations -- are singing from the same hymnal, and being bankrolled by the same interests. Behind the scenes, we find charter school magnates, ideological interests and deep-pocketed investors pumping millions into campaign coffers while playing the education “market” like a game of poker.

With this report the Center for Media and Democracy puts a spotlight on some of the power players behind Corbett’s dramatic moves to reshape state education policy for the benefit of corporate interests. A surprising number of these groups are reportedly under investigation by federal officials or have been charged with wrongdoing.

American Legislative Exchange Council: ALEC is an \$8 million corporate “bill mill” that brings together politicians and corporate lobbyists behind closed doors to vote on “model” legislation for states. A storm of controversy over ALEC’s role in spreading extreme gun laws, and voter suppression laws, resulted in over 90 corporations, such as Google, Wal-Mart, General Motors and General Electric, abandoning ALEC.⁸

According to ALEC’s internal documents, at least 31 Pennsylvania legislators are still ALEC dues-paying members and many more appear to use the ALEC library of bills

when shopping around for corporate education policy. Bills to institute school vouchers, take away local control for authorizing charter schools, expand tax credits to fund charter schools, or enact so-called “parent trigger legislation” can be traced back to ALEC and member groups like the American Federation of Children and the Cato Institute. Other ALEC bills include efforts to privatize pensions and attack unions and teachers. News reports indicate that ALEC may be under investigation by the IRS for illegal lobbying and violating its charitable, tax-exempt status.

Commonwealth Foundation: The Commonwealth Foundation for Public Policy Alternatives is a \$1.5 million dollar right-wing think tank and advocacy group based in Harrisburg. For more than 25 years it has produced a steady stream of seemingly academic and “independent” reports and campaigns promoting school privatization and anti-union initiatives in line with the ALEC agenda. Commonwealth has not only been a member of ALEC, but also its sister organization the State Policy Network, an \$84 million web of conservative think tanks across the country engaged in a concerted “attack against public sector rights and services in the key areas of education, healthcare, income tax, workers’ compensation and the environment.” According to the National Review, Commonwealth Foundation, like ALEC, is also under IRS investigation.

Vahan Gureghian: Gureghian is the founder and CEO of a Pennsylvania charter school management company, and is a key power player promoting tax-funded charters. From 2006 to 2014, Vahan Gureghian, the operator of the Chester Community Charter School, has donated more than \$1 million (\$250,000 this year) to conservative, pro-school voucher candidates running for state office in Pennsylvania. In the 2010 gubernatorial race, his \$335,714⁹ to Tom Corbett’s campaign made him the governor’s single largest donor. Gureghian was appointed to serve on Corbett’s education committee and to co-chair his transition team.

In 2011, an official state inquiry into possible cheating at Gureghian's school and others was underway, scores dropped dramatically – by 30 percentage points – at Chester Community Charter, but in the end the inquiry was closed by the Department of Education with no further action.^{10,11}

Cyber School Firms: Cyber schools in Pennsylvania are not only failing to educate kids well, they have been mired in scandal. K12 Inc. executives doubled their compensation between 2012-2013 from \$10 million to \$20 million, and the company drew at least 14% of its revenue comes from the Agora Cyber School in Wayne, Pennsylvania -- yet Agora is failing to educate children, consistently failing federal and state measures of adequate yearly progress. Agora is still in operation due to its well-connected friends. Between 2007 and 2014, K12 Inc. spent close to \$1 million lobbying the Pennsylvania legislature.

Worse, in 2012 and 2013 Agora's founder was charged by the federal government with embezzling some \$7 million from Agora and two other schools. Agora is not an isolated example; Nicholas Trombetta, founder and CEO of the biggest cyber school in the state – Pennsylvania Cyber Charter School (not affiliated with K12 Inc.) – was indicted in 2013 on eleven counts of fraud, bribery and tax conspiracy for swindling \$8 million from kids.

Susquehanna International Group: Three options traders are also fueling school privatization in the state as major contributors to Students First PAC and individual state politicians. Susquehanna International Group is an investment firm that bills itself as “one of the largest privately

held financial institutions in the world.” Specializing in derivatives and energy trading, the company has offices around the globe, over 1,500 employees, and boasts annual revenue of \$1 billion and some \$100 billion worth of assets under management.¹² Joel Greenberg, Jeffrey Yass, and Arthur Dantchik are founding partners and have poured a record \$6.5 million (\$750,000 this year) into Students First PAC, which masks their involvement by donating to other campaign finance vehicles. Common Cause/PA is concerned. “We have major concerns about large campaign donors and PACs laundering their contributions – sometimes six figure contributions since there are no limits in PA – through a series of contribution transactions designed to conceal the original benefactor.”

American Federation for Children: The American Federation for Children (AFC) and its Pennsylvania affiliates, Students First PA and Students First PAC, are key players in the effort to elect Pennsylvania legislators sympathetic to the school privatization agenda. Chaired by Betsy DeVos, the billionaire wife of Amway heir Dick DeVos, AFC was created after another one of her pro-voucher organizations was fined \$5.2 million for violating Ohio's campaign finance laws in 2006; they still haven't paid the fine.¹³ AFC's Pennsylvania affiliate, Students First PA, has spent \$1.3 million on lobbying in Pennsylvania on “restructuring education institutions”¹⁴ between 2011 and 2014. Since 2010, the Students First PAC has spent \$7.5 million electing school privatization candidates for Pennsylvania state office. Some of those funds were laundered through an array of other groups that spent in state legislative races in an apparent effort to disguise the origins of the funds.¹⁵

ALEC Education Bills Roll Through the Halls of Harrisburg

A list of education-related legislation since Corbett took office comes straight from the ALEC corporate bill mill. The great preponderance of these measures focus on one way or another of privatizing public education for some current or future company's profit at the expense of students, taxpayers, and the institution of public education in Pennsylvania.

There has been a strong push for more charter school legislation in recent years, and in particular, the idea of taking the authority to authorize new charter schools away from elected school boards and giving it to unaccountable state-wide authorizers. Local school boards often approach charters cautiously since the schools are managed by private firms that take funds out of the public school system and evade democratic accountability and transparency. But ALEC is anxious to preempt local democratic control.

In July 2014 Senate Bill 1085,¹⁶ sponsored by Senator Lloyd Smucker (R-13), passed in the Senate and was sent to the House for consideration. The bill would allow universities and college officials to authorize charters with little regulatory oversight and no public hearings. Far from being a recent initiative, this push away from local control has been on the ALEC agenda for years. In 2007 the ALEC board of directors approved the "Next Generation Charter Schools Act" calling for "multiple authorizing authorities."¹⁷

A study by the Center for Research on Education Outcomes at Stanford University found that charter school students in states permitting multiple authorizers "exhibit negative academic growth."¹⁸

ALEC, of course, cares little about independent research; the hostility to local control is visceral. In ALEC's spring 2014 meeting in Kansas City, the issue was discussed in the education subcommittee and reported on by Wisconsin Representative Chris Taylor who was present. One state

legislator expressed a desire to "stamp out local control," while another lamented that "school boards use children as human shields."¹⁹

Throughout his tenure, Corbett has been pushing for pension plan changes for teachers and public employees. He has been a vocal supporter of two bills introduced by Rep. Warren Kampf (R-157) – one for public employees and another one specifically targeting school district employees.

Teachers defer a portion of their salaries in order to collect pensions later in life. Even though they have done their part, the state has failed to live up to its part of the bargain by shortchanging the public pension system.

In the new proposals the guaranteed income plans would instead be privatized and replaced by 401(k)-type ones, subject to the whims of Wall Street. This tracks with the ALEC "Public Employees' Portable Retirement Options Act" (PRO), which ALEC has been pushing for more than 15 years.²⁰ Although the Pennsylvania plan is billed as "optional," current employees who return after a "break in



service” (for example, to care for a child or a sick parent) would also be forced into the new, inferior plans.

There are signs that even some members of Corbett’s party are losing their patience with his wholesale privatization agenda. In July 2014, fifteen Republicans made common cause with Democrats and voted to kick the controversial pension bill back down to the Human Services Committee. This was widely seen as a death sentence, but the governor would have none of it. A week later, Corbett used his veto powers to cut \$72 million in funding for the state legislature for failing to implement his pension ideas.²¹ “We need to have the public sector teachers union in Philadelphia step up and make concessions,” he fumed.²² The bill comes up for a vote in the house later this year.

In 2013, State Senator Anthony Williams (D-8), who has attended ALEC meetings, introduced a ubiquitous “Parent Trigger” bill²³ that would allow for public schools to be shut down and reinstated as charters by a petition from parents. First passed in California, a modified Parent Trigger bill was brought to ALEC in 2010²⁴ by the Illinois-based Heartland Institute, which is perhaps best known for controversial billboards comparing people who believe in climate change to mass murderers like the Unabomber Ted Kaczynski. The provisions in the Pennsylvania and ALEC bills are strikingly similar; both allow petition drives to trigger “school closure” or “school restart” (transformation into a charter school), and they both specify a 180-day deadline for the school district to implement the new plan. In other words, the bill allows paid petition drives and a snapshot of parent opinion to close a public school for generations to come.

In a further attack on teachers and unions, Fred Keller (R-85), a former ALEC member, followed in the ALEC footsteps by redrafting ALEC model legislation – the “School Collective Bargaining Sunshine Act”²⁵ – into a 2013 bill²⁶ requiring school district boards to publish copies of collective bargaining agreements on the schools’ websites and in local newspapers, even though these are already public documents. The purpose seems to be to cast aspersions on teachers and their unions. It has also been pointed out that publishing “dozens and dozens of contracts” during a fiscal year might cost a single school district upward of

\$100,000.²⁷ Incidentally, the bill does not apply to charter schools.

So-called “teacher quality” legislation was passed into law in 2012. It requires at least 50 percent of a teacher’s effectiveness rating be based on student performance on standardized tests, even though most education experts say this will not improve student performance or teacher performance, due in part to economic factors impacting student performance.²⁸ Teachers receive a pass/fail evaluation. By creating a de facto evaluation system using student test scores as a major component, the law makes it easier to lay off teachers and do away with union-contracted seniority as a factor in layoff decisions. The original bill bears more than a passing resemblance to an ALEC model bill from 2010 – the “Great Teachers and Leaders Act”²⁹ – which calls for “at least fifty percent of” the teachers’ ratings being “determined by the academic growth of their students.”

At the beginning of Corbett’s term in 2011, all systems were go for the creation of a school voucher program in Pennsylvania that would allow students to take public funds to attend any school. Critics charge that vouchers lead to subsidization of religious schools and the wealthy, and is a recipe for white flight and re-segregation. Senate Bill 1 passed the state senate in October 2011,³⁰ with an amendment to allow for taxpayer-funded vouchers for low-income children. Amendment authors, including Democrat (and ALEC participant) Anthony Williams, hoped the amendment would help shore up the Democratic base.

The bill ultimately failed in the House, but since then, Corbett and his supporters in both parties have continued to expand the corporate education agenda with more success. In 2012, House Bill 761 was passed into law; it provides for an increase of \$25 million in the long-standing Educational Improvement Tax Credit (EITC) program that gives tax credits to businesses contributing to private school scholarship granting organizations. This effectively allows corporate interests to reroute their tax dollars away from public services and towards private or religious institutions. A further expansion of the EITC was signed into law in 2012. The Educational Opportunity Scholarship Tax Credit (OSTC) provides scholarships to private schools for children in “low-achieving” districts, while giving corporations

a 75-90% tax cut depending on how much they write off.³¹

The cost of these programs will amount to \$100 million in lost revenue to the state general fund in the form of tax credits.³² This reduction of funds from the state Treasury makes Pennsylvania even more reliant on the taxes paid by average workers and families.

This rush of bills does not just happen. A web of corporate lobbyists, willing politicians and “think tanks” – often funded by the same corporate interests – have worked hand in glove to promote this agenda in Pennsylvania for many years. Below we detail some of these Pennsylvania “power players.”

Profiles of Pennsylvania Power Players Behind The Push for Privatization

Power Player 1: American Legislative Exchange Council

Many of the education proposals pushed in Pennsylvania have their roots in ALEC “model” bills. With an annual budget of more than \$8 million, ALEC might best be described as a corporate “bill mill” that helps conservative state legislators become a vessel for advancing special interest legislation developed by corporate lobbyists or ideological interests.

For over 30 years, a top priority item for ALEC has been the privatization of public schools.

Vouchers emerged as a policy prescription in the mid 1950s, just as the U.S. Supreme Court was ordering school desegregation in the *Brown v. Board of Education* series of decisions. In some parts of the South, vouchers were offered as a way to preserve the segregated status quo by giving white kids a taxpayer-funded voucher to attend privately run schools that were not subject to desegregation.

University of Chicago economist Milton Friedman first introduced his free-market school voucher/school “choice” scheme in 1955, the year after *Brown* was decided. (He later came to the realization that his model was not free-market enough, and at a 2006 ALEC meeting, he admitted that the best method would be to abolish public schools altogether.)³³

In 1958 in Virginia, Governor J. Lindsay Almond Jr. closed public schools in three districts that had been ordered to desegregate – and offered tuition grants for white students to attend private schools. Segregationists argued that vouchers were necessary to protect their “freedom of association” rights, i.e. a person’s desire to associate only with members of their own race. And for many years, “school choice was widely understood by the courts and the public as a strategy to preserve school segregation.”

Like many ALEC initiatives, the modern iteration of school vouchers was first implemented in Wisconsin. In 1990, longstanding ALEC member Tommy Thompson signed a bill to create a voucher program. It was initially pitched as a way of sending African American, and poor children to private schools on the public dime, but was later expanded to include religious schools. Now, the voucher program is being expanded to include children from all over the state, and Governor Scott Walker wants to enroll children from higher-income families as well.

In the first six months of 2013, CMD identified 139 ALEC education bills moving in state legislatures; 31 of them became law. These bills facilitated vouchers for special education students, “neo-voucher” style tax credits, lower standards for teacher accreditation, and online cyber schools.³⁴ Many of these bills made their way to Pennsylvania.

In 2012-13, Pennsylvania bills to take away local control in authorizing new charter schools, expand tax credits to fund charter schools, enact parent trigger legislation, and more can be traced back to ALEC and key member groups like the American Federation of Children (AFC) funded by the billionaire DeVos family. AFC’s chief lobbyist is disgraced former Wisconsin Assembly Speaker Scott Jensen, who was convicted³⁵ of three felonies for misuse of his office for political purposes, and banned from the state Capitol for five years (though after an eight-year legal battle, the charges were later reversed and dropped as part of a plea agreement.)³⁶ A longtime liaison to ALEC, Jensen was on the ALEC agenda presenting a “School Choice Roundup” to legislators in ALEC’s education committee in 2013.³⁷

Ideological interests and firms that benefit from school privatization are also drivers of the ALEC education agenda. These include education and tech firms such as K12 Inc., Corinthian Colleges, Dell, Inc., Rupert Murdoch’s News

Corp (whose education division is called “Amplify”); trade associations such as the U.S. Chamber of Commerce and the National Association of Charter School Authorizers; charter school operators; state-based “State Policy Network” think tanks, and more. See a full list here: http://www.sourcewatch.org/index.php/Education_Task_Force

It is this cozy, closed-door relationship between corporate lobbyists and ALEC legislators that have led to countless news reports delving into the question of whether ALEC should be treated as a tax exempt “nonprofit” charitable organization by the IRS, or a special interest lobby shop that should not be given “charitable” status. News reports indicate that ALEC may be under investigation by the IRS. Common Cause filed a complaint backed by thousands of pages of evidence alleging that ALEC engages in excessive and unreported lobbying, supported with examples from CMD.³⁸ Marcus Owens, who used to lead the nonprofit division of the IRS, filed another complaint in 2012 alleging “ALEC has deliberately and repeatedly failed to comply with some of the most fundamental federal tax requirements applicable to public charities” and that the evidence suggests “quite strongly, that the conduct of ALEC and certain of its representatives violates other civil and criminal tax laws and may violate other federal and state criminal statutes as well.”³⁹ The Voters Legislature Transparency Project also filed a separate IRS complaint.⁴⁰

ALEC has tacitly admitted to lobbying. Last year it formed a 501(c)(4) arm called the “Jeffersonian Project” to provide “greater legal protection” from the threat of an IRS audit or state scrutiny,⁴¹ while insisting it engages in no lobbying despite all the evidence to the contrary.

More than 70 corporations and hundreds of state legislators have dumped their ALEC membership in recent years due to controversy over ALEC’s promotion of bills to make it harder for Americans to vote and easier to get away with shooting people. According to ALEC’s internal documents, however, at least 31 Pennsylvania legislators are still dues-paying ALEC members and many more appear to use the ALEC corporate mill library of bills when shopping for corporate education policy.⁴²

Pennsylvania’s House Education Committee has been dominated by proponents of ALEC’s anti-public education

agenda. House Education Committee Chairman, Republican Paul Clymer (R-145) is an ALEC member, and a staunch supporter of its corporate agenda.

Republican Representative Jim Christiana (R-15) has been Pennsylvania’s leading school voucher proponent and his colleagues, Republican Representatives Kathy L. Rapp (R-65) and Seth M. Grove (R-196) are on the Education Committee and are both ALEC members. Rapp also serves on ALEC’s Education Task Force.

The Majority Leader of the House, Mike Turzai (R-28) – who famously admitted that the state’s ALEC-inspired voter ID bill is “gonna allow Governor Romney to win”⁴³ – was an ALEC member, and used taxpayer funds for his dues, but now says he is no longer involved with the group.

Republican Senators on the Education Committee include ALEC members Patrick Browne (R-16) and Jake Corman (R-34). Stewart Greenleaf (R-12), another Senate Republican on the Education Committee, had been an ALEC member, but announced in May 2011 that he was not “renewing” his membership.

Senate Education Committee member Anthony H. Williams (D-8) is one of the few Democrats who participates in ALEC events, not only in Pennsylvania but around the country. He has consistently been one of the biggest beneficiaries of the funds pouring in from the corporate education reform movement.

One of the most avid supporters of ALEC model legislation has been Rep. Daryl Metcalfe (R-12). A chief sponsor of ALEC bills like right to work, voter ID, and Stand Your Ground, he introduced the anti-immigrant “Support Our Law Enforcement and Safe Neighborhoods Act” in 2009, modeled after an ALEC bill. The act is virtually identical to the infamous anti-immigration law Arizona law SB 1070 (largely struck down by the U.S. Supreme Court). Republican State Representative Mark Mustio has also been a leading ALEC voice in the legislature over the past two decades, but he says he dropped his ALEC membership in 2012.

When ALEC met in Philadelphia in 2007, Pennsylvania legislators made a whopping \$50,000 budget appropriation so corporations could lobby state legislators in style. Penn-

sylvania taxpayers footed the bill for \$30,450 of roasted chicken breast and \$3,000 of cheesecake lollipops, according to documents obtained by Common Cause.⁴⁴

As discussed above, many of the education bills that have been debated and passed in PA in recent years have ALEC roots. A selection of these are included in the following chart.

Selected Pennsylvania Bills Based on ALEC Models

Designation	Sponsor	Explanation	ALEC Bill
Senate Bill 1034, 2013-2014 ⁴⁵	Sen. John Eichelberger (R-30), current ALEC member	The bill would bar unions from negotiating payroll deductions for political activity.	Paycheck Protection Act ⁴⁶
Senate Bill 1085, 2013-2014 ⁴⁷	Sen. Lloyd Smucker (R-13)	The bill limits local control over charter schools by allowing universities and colleges to authorize charters	Next Generation Charter School Act ⁴⁸
House Bill 1352, 2013-2014 ⁴⁹	Rep. Warren Kampf (R-157)	The bill would introduce 401(k)-type plans for school district employees with no guaranteed pension levels.	Public Employees' Portable Retirement Options Act ⁵⁰
Senate Bill 1067, 2013-2014 ⁵¹	Sen. Anthony Williams (D-8), frequent ALEC-conference attendee	This bill calls for a so-called "parent trigger" law, which would allow parents to shut down public schools or transform them into charters.	Parent Trigger Model Bill ⁵²
House Bill 1741, 2013-2014 ⁵³	Rep. Fred Keller (R-85)	School districts would be required to provide notice of collective bargaining agreements online and in local newspapers prior to approval	School Collective Bargaining Sunshine Act ⁵⁴
House Bill 1901, 2012-2013. Enacted as Act 82.	Rep. Garth Everett (R-84)	50% of a teacher's effectiveness rating is now based on student performance on standardized tests that don't take into account socio-economic circumstances. It will be easier to lay off teachers and do away with union seniority.	Great Teachers and Leaders Act ⁵⁵
House Bill 934, 2011-2012 ⁵⁶	Rep. Daryl Metcalfe (R-12), ALEC member	The bill would have required most voters to show photo ID before voting. It was ruled unconstitutional in 2014.	Voter ID Act ⁵⁷
House Bill 42, 2011-2012 ⁵⁸	Rep. Matt Baker (R-68), ALEC member (who bragged about the bill in the June 2011 issue of the official Inside Alec magazine)	The bill would nullify the mandatory health insurance provisions in the Affordable Health Act.	Freedom of Choice in Healthcare Act ⁵⁹
Senate Bill 1131, 2011-2012 ⁶⁰	Sen. Stewart Greenleaf (R-12) and Jake Corman (R-34), both former ALEC members	The bill would eliminate the doctrine of "joint and several liability" in personal injury and product liability lawsuits.	Fair Share Act ⁶¹
House Bill 40, 2009-2010 ⁶²	Rep. Scott Perry (R-4)	The bill eliminates the duty to retreat before shooting home intruders; the definition of "dwelling" is expanded to include adjoining locations such as streets and cars.	Castle Doctrine Act ⁶³

Power Player 2: Commonwealth Foundation for Public Policy Alternatives

The Commonwealth Foundation for Public Policy Alternatives is a \$1.5 million right-wing think tank and advocacy group based in Harrisburg. It was founded by Heritage Foundation members T. William Boxx, Don Eberly, and Alex G. McKenna in 1988.⁶⁴ The group “crafts free-market policies, convinces Pennsylvanians of their benefits, and counters attacks on liberties,”⁶⁵ according to its mission statement. In a recent *National Review* article, Stephen Moore reveals that the Foundation is under IRS investigation.⁶⁶

All of its disclosed funding comes from organizations sponsoring a far right agenda. Between 2008 and 2011, the top two contributors are the Sarah Scaife Foundation (\$2.6 million), and the Philip M. McKenna Foundation (\$1.6 million),⁶⁷ both known for their financial support to corporate education causes; the McKenna Foundation, for example, prides itself with its commitment to “free market economics and moral virtue” in the fields of “public policy and education.”⁶⁸ Commonwealth also receives funding from the Koch-tied Donors Capital conduit (\$1.3 million) and Charles G. Koch foundation directly (\$66,000).

The Foundation has steadily pushed for the wholesale outsourcing of state programs and services. A few months after it was founded in 1988, it called for the appointment of a “privatization czar” in Pennsylvania,⁶⁹ and judging from its policy/research papers, charter schools have been high on the agenda since its inception. In 1989, Kevin Harley, a Foundation staffer and later press secretary to Governor Corbett, argued that an “educational phenomenon is on the horizon in the United States that could revolutionize our nation’s public school system.”⁷⁰ Two years later, public policy consultant Linda Morrison laid out the case for a “market based restructuring” of the public school system.⁷¹

In 1997, when Sean Duffy assumed leadership, the Foundation took a sharp turn from issuing research publications to “advancing conservative policy objectives.”⁷² A former press secretary for the state Department of Education, Duffy was intent on “defang[ing] the federal education bureaucracy”⁷³ and discrediting the “the teachers’ unions and their fellow travelers.”⁷⁴ The focus on education privatization,⁷⁵ the lobbying for corporate schools, and the smear



campaigns directed at teachers’ unions, have only increased with the increased funding of the Foundation.⁷⁶

Commonwealth has deep ties to ALEC. Nathan Benefield, Director of Policy Analysis for the Foundation, served on ALEC’s Tax and Fiscal Policy Task Force. Senior Fellow Rick Dreyfuss served on ALEC’s Health and Human Services Task Force. Policy Analyst Elizabeth Stelle served on the ALEC’s Energy, Environment and Agriculture Task Force. The Foundation has also been a member of ALEC’s sister organization, the State Policy Network⁷⁷ – an \$84 million web of conservative think tanks across the country – that is engaged in a concerted “attack against public sector rights and services in the key areas of education, healthcare, income tax, workers’ compensation and the environment,” says *The Guardian*.^{78, 79} The role of SPN “think tanks” is to produce reports to give the ALEC agenda a patina of local, “independent,” and academic-sounding research.

As a 501(c)(3) organization,⁸⁰ the Foundation is only allowed to engage in limited grassroots lobbying, but a document uncovered by *The Guardian* has the group seeking funding from the right-wing Searle Foundation for a project explicitly aimed at influencing lawmakers. “The Commonwealth Foundation will outline a series of fiscal and budgetary reforms aimed primarily at lawmakers [...] These reforms would undoubtedly include privatization of government operations,”⁸¹ Commonwealth writes in its Searle application.

Among its lobbying “victories” listed on its website, the Foundation boasts of “a huge expansion of the education tax credit program” in 2012 – dubbed a “massive school choice victory” by the Cato Institute.⁸²

Perhaps it is this activity that has given rise to an IRS investigation reported by the Heritage Foundation's Stephen Moore. Moore is in a position to know, as he apparently advised Searle on which projects to fund while also working as an editorial writer for the Wall Street Journal. He left to join the Heritage Foundation when the Searle documents hit the news.

According to an August 2013 ALEC board document obtained by The Guardian, the Commonwealth Foundation terminated its ALEC membership on March 2013, but "would like to join again if can fit in budget." Although its current membership status is unknown, we do know that the Foundation has, over the years, produced a steady stream of reports and campaigns promoting school privatization and anti-union initiatives in line with the ALEC agenda. Indeed, as CMD has reported it is the role of the state-based SPN think tanks to give the ALEC agenda a veneer of "independent" analysis and local focus often lacking in ALEC's national corporate agenda.

For example, the State Policy Network awarded the Commonwealth Foundation a Searle Grant of \$30,000 in 2011⁸³ for launching an anti-union "news media campaign" and a "website targeting teachers."⁸⁴ The website in question is most likely freetoteach.org with its anti-union spin, including a section called "4 Steps to Leaving your Union."⁸⁵ Re-

ports to show the purported inefficiency of district schools and the greed of the teachers' unions are churned out every month. Recent reports include "Union Dues Exploit Teachers, Taxpayers" and "How do Union Dues Fund Super-PACs?" In a recent op-ed for PennLive, CEO and president Matthew J. Brouillette claimed that "no other organization has done more harm to the teaching profession" than the teachers' unions.⁸⁶

The Foundation has also pushed taxpayer-funded "cyber-schools" in Pennsylvania, benefiting ALEC members such as K12, Inc. one of the largest online school providers in the country with operations in Pennsylvania that have drawn scrutiny from the press and state auditors.⁸⁷ It has produced reports with titles like "Cyber Schools Deserve Fair Treatment," and run a campaign called CyberSchools-Save.org, which boasts that "more than 32,000 Pennsylvania students have selected cyber schools as their school of choice to best meet their educational needs..." There is no mention of the fact that the Pennsylvania cyber charters have consistently failed students by not meeting state standards. Other Commonwealth reports back a wide range of ALEC-developed legislation including efforts to prevent the expansion of health insurance,⁸⁸ limit pollution regulation,⁸⁹ undermine unions⁹⁰ and prevent any increases in the minimum wage.⁹¹

Power Player 3: Charter School Magnate Vahan Gureghian

When the mysterious Vahan Gureghian, who made his money as a bond attorney in the 1980s, decided to diversify his portfolio in the 1990s, investing in charter schools seemed like just the thing. These could then be subjected to "fundamental business principles"⁹² and turned into money-making machines.

In 1999, he started Charter School Management Inc. (CSMI) – an operation that has grown to 150 charter schools in nine states. His company manages the schools' business operations, owns the buildings, hires and fires the teachers. Taxpayers foot the bill, paying for the non-profit charter school. The school then pays a hefty management fee to CSMI, which must turn a profit. But since there are no other sources of revenue than what the school district pays, the profit must be "carved out" from the money intended for students. Since they must share the money with well-paid CEOs and other management staff, charter school students receive an education worth far less than

public school students.

When Philadelphia Magazine tried to profile Gureghian in 2011, it found plenty of sources who knew him but few who were willing to go on the record. He has a reputation for suing people, for buying and building large, expensive mansions, and for retaliating against those who wrong him.



Vahan Gureghian

"As I reported this piece," wrote "Phillymag," the pen name for the staff writer who reports on items of intrigue such as this, "the same scene

played out again and again: I'd be sitting with a source, listening to some crazy story about the (Montgomery County commissioners' office). Then I'd mention Gureghian's name. The subject's mouth would tighten. The subject would start to speak very slowly, in clipped sentences, weighing every word."⁹³

A reporter for the Philadelphia Inquirer experienced the litigious entrepreneur first-hand. Investigating the financing of the biggest charter school run by Gureghian, he filed a right-to-know request for information on the salary of the school management.⁹⁴ Gureghian refused to comply, but he didn't leave it at that; he also sued the newspaper for defamation. The district court, however, found no evidence of libel, and neither did the federal appeals court, concluding that "Charter School's assertions that Management's business records need not be disclosed lacks merit."⁹⁵

Gureghian still refuses to divulge salaries of executive CSMI salaries, and will fight tooth and nail in court against anyone who wants to know how much of his personal wealth comes from his taxpayer-funded charter school operations.

The Pittsburgh Post-Gazette has reported that Gureghian then sought legislation that would exempt vendors like CSMI from the public records law; an amendment to that effect was included in a recent charter school bill that passed the Pennsylvania Assembly.

But for all the unknowns, "it is known, however," as Milton W. Hinton Jr., director of equal opportunity for the Gloucester County government, pointed out in an op-ed, "that Chester Community Charter's administrative earnings are among the highest in Pennsylvania, while instruction expenditures are the lowest."⁹⁶ According to public data, the teachers' salaries at CSMI, averaging \$39,700, trail far behind the state average of \$55,500 and \$45,435 for charter schools.⁹⁷

To keep the revenue flowing, Gureghian recognized that it would be a good idea to have powerful friends in government who could tilt the playing field. From 2006 to 2014, he has donated more than \$1 million⁹⁸ to conservative, pro-voucher candidates running for state office in Pennsylvania. In the 2010 gubernatorial race, his \$335,714⁹⁹ to Tom

Corbett's campaign made him the governor's single largest donor.

Following Corbett's victory, Gureghian was appointed to serve on Corbett's education committee and to co-chair his transition team.¹⁰⁰

In July 2011, the Pennsylvania Department of Education started an investigation on possible cheating due to testing irregularities at the Chester Community Charter School.¹⁰¹ When reporters from a non-profit newspaper sent the school questions about the investigation, Gureghian's school sent the paper a legal notice to cease and desist. In the end, the school was flagged for 13 aberrations. Gureghian's eighth-graders improved their math scores from 22.1 percent "proficient" to 65.4 percent proficient in just one year—a rate of improvement the report judged statistically "improbable." In addition to this, wrong answers had consistently been erased and changed to right ones in the state PSSA exam. Forensic investigators concluded that the probability of this happening by chance was "between one in a quadrillion and one in a quintillion."¹⁰² Curiously, test scores at Gureghian's school plummeted to baseline values (a drop averaging 30 percentage points) once the investigation was under way.¹⁰³

The school's internal investigation found no evidence of wrongdoing, and in September 2012 the state Department of Education closed the investigation. At the same time, "the overwhelming evidence of testing irregularities" could not be easily dismissed, and the department decided to implement more rigorous testing procedures at the school.¹⁰⁴

Gureghian's school also drew fire in 2013 when a state audit found "significant noncompliance with applicable state laws, contracts, grant requirements, and administrative procedures"¹⁰⁵ The state auditor general discovered that the school had improperly received \$1.3 million in state lease reimbursements for school buildings that were previously owned by Gureghian, but which he had transferred to a nonprofit organization, concluding that "these ownership transfers and questionable transactions among associated individuals and entities created circular lease arrangements among related partners sharing ownership interest in the buildings." Before selling the school buildings for \$50.7 million to Friends of Chester Community Charter School

in 2010, Gureghian had already received more than \$20 million in rent, according to the Pennsylvania Inquirer.¹⁰⁶

The state auditor explained: “charter operators are, in some instances, getting reimbursed for a building that they already basically own, and they’re getting reimbursed by state tax dollars. That’s ridiculous,” he said. But the Corbett administration continued to defend the practice, arguing that schools cannot be held accountable “for what others ‘think’ should be the law.”¹⁰⁷

Power Player 4: Failing Cyber Schools Cashing In on Kids

In recent years, there has been an explosion of “virtual” charter schools paid for by the taxpayer. ALEC and its on-line school firms have been pushing these “cyber schools” for years via ALEC politicians. Pennsylvania authorized cyber charter schools in 2002.

Pennsylvania’s 14 cyber schools are failing to educate kids. After receiving abysmal scores of “adequate yearly progress” under No Child Left Behind in 2011 and 2012, the state changed the way they assessed the charters, but the trend continues. In 2013, no Pennsylvania charter met minimum standards of 70 out of 100 points. Eight cyber charters scored lower than 50 out of 100, a failing grade for kids and schools.¹⁰⁹

Pennsylvania’s cyber schools are public but managed by private firms, such as K12 Inc. A shareholder lawsuit against K12 Inc., revealed that a key reason for the abysmal performance is that some cyber schools have astronomical “churn” rates as kids decide sitting in front of a computer all day long is not for them.

According to the New York Times, Pennsylvania’s online schools “bill each of their students’ home districts the full per-pupil amount that the district would otherwise have spent to educate that child in a brick-and-mortar school, which averages over \$11,000 per student, making Pennsylvania one of the most lucrative states in the nation in which to operate for-profit online schools and harming public schools.” The actual cost of educating these kids in their own home is about half that, the Pennsylvania state auditor argued as he called for a complete overhaul of both charter school and private school payments in 2011.¹¹⁰

Gureghian has done well as Pennsylvania charter school magnate, paying \$29 million for oceanfront property in Palm Beach, on which he has proposed building a 20,000-square-foot mansion.¹⁰⁸ His 30,000-square-foot, French chateau-style mansion in Gladwyne, Pennsylvania as received attention in a number of publications. The house has 10 bedrooms, 11 bathrooms, a two-lane bowling alley, and, yes, a moat.

Pennsylvania’s funding formula for cyber schools is an irresistible lure for private corporations and corrupt individuals. The state’s cyber charters have been rocked by scandal after scandal, yet Pennsylvania politicians have failed to heed the warning. Why?

K12 Inc. Joins the Corbett Administration

K12, Inc. is a for-profit, publicly traded online education company headquartered in Herndon, Virginia. K12 Inc. was founded by “junk bond king” Michael Milken and Goldman-Sachs executive Ron Packard. In 2013, K12 Inc. took in \$848.2 million from its business, with \$730.8 million coming from its “managed public schools.”

In other words, 86 percent of K12 revenues come directly from taxpayers. K12 executives are well rewarded for their efforts. Morningstar says executive pay at K12 Inc. doubled between 2012 and 2013 to \$21 million,¹¹¹ during a time when negative press about K12 was hitting the papers and rocking its share price.

K12’s flagship investment in Pennsylvania is the Agora Cyber Charter founded in 2005. In 2012, the founder of Agora was charged by federal authorities for using her private consultancy to defraud Agora and two other schools of more than \$6.5 million between 2007 and April 2011.^{112, 113, 114} In 2014, a hung jury was split 9 to 3 in favor of convicting her on 54 counts. A new trial is expected later this year.¹¹⁵

Agora continues to be a cash cow for K12 Inc. In 2013, the firm got 14 percent of its overall revenue from Agora, a funding stream the organization is very anxious to keep

flowing.¹¹⁶ To this end, CMD calculates K12 Inc. spent close to \$1 million (\$946,224) lobbying state legislators from 2007-2014.

K12 Inc. also presses its agenda through ALEC. K12's former Administrator and Director of School Development, Lisa Gillis, is the most recent known Private Sector Chair of ALEC's Education Task Force Special Needs Subcommittee. Three K12 Inc. lobbyists have also been members of ALEC's Education Task Force, and K12 Inc was a big sponsor of ALEC's 2013 annual meeting.

K12 Inc. also has a very good friend in the Corbett administration. Charles Zogby, K12's Senior Vice President of Education and Policy, is Governor Corbett's Budget Director. While K12 executives are rolling in the money, they are failing to educate the kids. Agora has continued its streak of never meeting minimum state standards¹¹⁷ and has been in a "corrective action" status since its first year.

One former teacher at Agora talked about being assigned 300 students and not having any idea how many attended class: "A huge portion of my students never showed up or did anything. I have no clue what happened to them, though I have no doubt Agora was charging the state for them," she said.¹¹⁸

Stories like this by former teachers prompted a 2012 shareholder lawsuit,¹¹⁹ an investigation by the state of Florida¹²⁰ and questions by the Securities and Exchange Commission. Now, K12 stock is being shorted on Wall Street by investor Whitney Tilson.¹²¹ The firm reportedly settled the dispute with its shareholders,¹²² but is being watched and investigated by top-flight firms representing investors.

K12 Inc. knows it has a problem in Pennsylvania. In June 2014 it put out an RFP looking for new leadership at Agora, and its share price tanked again.¹²³

Pennsylvania Cyber Charter School CEO Allegedly Stole Millions

The irresistible stream of money flowing to cyber charters has landed another firm in trouble too.

In August 2013, Nicholas Trombetta, founder and CEO of Pennsylvania Cyber Charter School – the largest cyber charter in the state (not affiliated with K12 Inc.) – was indicted on eleven counts of fraud, bribery and tax conspiracy. According to state prosecutors, he had siphoned more than \$8 million to companies he controlled in a scheme to dodge taxes and "steal money that was to be used to educate our children."¹²⁴ With the help of educational shell companies set up by Trombetta, but nominally managed by others, he was able to "channel money to himself ... to other family members and to other persons."¹²⁵ He ponied up \$1 million to buy a condo in Florida, and spent another million on personal expenses.

Trombetta's charter school operations had previously been under investigation by a state grand jury. That investigation, under then-Attorney General Tom Corbett, fizzled out, and no indictment was ever brought against Trombetta. A few years later, lieutenant governor Jim Cawley toured the school and waxed lyrical over the founder's success story: "Governor Corbett and I believe the priorities must be child, parent and teacher ... I salute the work of Dr. Trombetta."¹²⁶ That same year, Trombetta contributed \$5,000 to the Corbett-Cawley campaign.¹²⁷

When questioned about the ongoing investigation by the Pittsburgh Post-Gazette in 2007, Trombetta played the martyr: "Has it been pleasant? No ... No one who challenges a system that has been unchallenged for so long is going to go away unscathed."¹²⁸ While he did not go away unscathed, he certainly planned to. The funds he did not spend out of the sum stolen from Pennsylvania taxpayers was placed in what the attorney called a "retirement account."¹²⁹ In June 2014, Trombetta filed a motion to have the case dismissed, claiming that the prosecutors had illegally recorded conversations with his lawyers.¹³⁰

The controversy over Pennsylvania cyber schools has prompted the state to announce it would not be authorizing new cyber charters, but the die-hard "school reformers" continue to stand by this failed model.¹³¹

Power Player 5: American Federation of Children and Students First PAC

The American Federation for Children (AFC) and its Pennsylvania affiliates, Students First PA and Students First PAC, are key players in the effort to elect Pennsylvania legislators sympathetic to the school privatization agenda. The Michigan-based AFC is the 501(c)(4) political arm of the 501(c)(3) nonprofit Alliance for School Choice. AFC is chaired by Betsy DeVos, the multi-millionaire wife of Amway heir Dick DeVos, who ran as a Republican against Michigan Governor Jennifer Granholm in 2006.

Together, AFC and Alliance for School Choice represent a \$13 million operation dedicated to privatizing public schools. As mentioned above, AFC is a key driver of ALEC's education agenda. Way back in 1993, ALEC gave its first "Adam Smith Free Enterprise Award" to Dick's dad Richard DeVos, Sr. Today, former Wisconsin Assembly Speaker Scott Jensen represents AFC at ALEC, where he plays a prominent role within the corporate bill mill.

AFC's Pennsylvania affiliate, Students First PA, has spent \$1.3 million on lobbying in Pennsylvania between 2011 and 2014.

According to its own internal documents, AFC poured \$2.2 into Pennsylvania state House and Senate races in 2012, and donated to at least 39 candidates (Democrats and Republicans) who were elected. AFC's "Election Impact Reported" boasted that 13 of its 19 supported candidates won their primaries, and following those victories "the state legislature expanded the state's Educational Improvement Tax Credit and created a new \$50 million scholarship tax credit program."

AFC has close ties with those in power in Pennsylvania. Governor Tom Corbett addressed AFC's 2011 national summit.¹³² Ashley DeMauro, who leads Pennsylvania's "Students First PA" AFC Chapter, came directly from the Pennsylvania Department of Education, where she was Director of Government Relations. Joe Watkins, who headed AFC's Students First PAC, was appointed in 2012 as receiver for the Chester Upland district, which had been declared a distressed district.¹³³



Betsy DeVos



Dick DeVos

Since 2010, the Students First PAC has spent \$7.5 million electing school privatization candidates for Pennsylvania state office. Some of those funds were laundered through an array of other groups that spent in state legislative races in an apparent effort to disguise the origins of the funds. (See Appendix).

Some of those financial transfers may have violated Pennsylvania election laws that prohibit the making of contributions on another person's behalf. The Philadelphia City Paper reported in February 2013:

On March 26, 2012, Students First PAC gave [political operative John D.] McDaniel a check for \$6,000, which he deposited in Progressive Agenda's account. Progressive Agenda and Students First, according to McDaniel, had an understanding that the money would then be given to Friends of Fatimah, [state House candidate Fatima] Muhammad's campaign committee. On April 4, 2012, McDaniel cut Friends of Fatimah a \$5,900 check.

According to McDaniel, the contribution was arranged this way so Students First would not be directly connected with Friends of Fatimah, according to the Ethics Board. 'According to McDaniel, Progressive Agenda kept \$100 of the Students First contribution to cover what he called administrative costs.¹³⁴

AFC has a history of playing fast-and-loose with campaign finance laws as it has poured tens of millions of dollars into school privatization efforts across the country.^{135, 136}

In 2008, Ohio's elections board hit DeVos's group with a record \$5.2 million fine for illegally shifting money into that state to support "school choice" candidates. It was the largest campaign finance fine in Ohio's history.¹³⁷ As of July 2014, it remains unpaid.¹³⁸

Power Player 6: Susquehanna International Group Principals

Reports filed with the state reveal that almost all of the money collected by Students First PAC came from three partners who own Susquehanna International Group, a financial investment company with offices around the globe. Students First PAC is one of the largest PACs in Pennsylvania and regularly funnels millions to other PACs in an apparent attempt to hide the true donors.

Joel Greenberg, Jeffrey Yass, and Arthur Dantchik are founding partners of investment firm Susquehanna International Group and helped form Students First PAC in 2010. Greenberg is on the board of directors of AFC. Together the three have given millions to Students First PAC, which itself has funneled millions to other campaign spending entities in an apparent effort to hide the origin of the funds.

In 2010, the three used the Students First PAC to pour a record \$5 million into the unsuccessful gubernatorial campaign of State Senator Anthony Williams, one of the most vocal proponents of school privatization in the legislature. Greenberg contributed \$1.9 million, Yass gave \$1.7 million, and Dantchik donated \$1.49 million to Students First PAC, which transferred the money to Williams.¹⁴⁰ Those donations amounted to 69 percent of Williams' campaign funds. Williams finished third out of four candidates in the primary.

The three financiers have poured an astonishing \$6.5 million into Students First PAC between 2010-2014, \$750,000 this year alone.

Students First PAC has funneled millions to other PACs, for unknown reasons. Perhaps Students First wants to distance itself from distortions and smear campaigns such as the one run against leading school voucher opponent Rep. James Roebuck in 2012.¹⁴¹ Perhaps "Democrats for Edu-

In 2012, AFC told Wisconsin's elections board that it spent \$345,000 on legislative races in the state, but boasted to funders that it spent \$2.4 million helping elect nine pro-privatization legislators to office. Watchdogs filed a complaint with Wisconsin's elections board alleging AFC violated the state's disclosure laws.¹³⁹



cation Reform" is a more appealing tagline to a particular brochure or radio ad on behalf of a Democrat. While their motives are unknown, the good government watchdog group Common Cause/Pennsylvania is concerned.

"We have major concerns about large campaign donors and PACs laundering their contributions – sometimes six figure contributions since there are no limits in PA – through a series of contribution transactions designed to conceal the original benefactor – especially if there is any kind of understanding who the end recipient candidate will be," said state Common Cause director Barry Kaufman. "Giving money to others to make political contributions on one's behalf already is illegal under the Pennsylvania election code. PA voters have a right to know the original sources of each candidate's campaign funds. And the Attorney General must aggressively prosecute those who attempt to disguise their identities and impacts on Pennsylvania's elections."

In addition to being major funders of the school privatization movement, the three are very politically tied to state and national groups. Greenberg and another Susquehanna executive, David Pollard, were part of Corbett's transition team on education. They are all heavily involved in national libertarian politics. Greenberg is on the board of directors of AFC. Dantchik is on the board of the Institute for Justice, a libertarian public interest law firm based in Virginia that litigates school voucher issues. Yass is on the

board of the Cato Institute, a think tank founded by the Koch brothers that pushes school privatization initiatives.

Yass' wife, Janine Yass, is also a school privatization activist. She helped fund a controversial Boston Consulting Group study in 2012 calling for the closing of dozens of Pennsylvania public schools, privatization of public services in

the state, and the reorganization of schools into privately-run "achievement networks." Janine Yass "also sits on the board of the Philadelphia School Partnership, a pro-corporate-school-reform organization" that has "been the most prominent "independent" organization in the city to support the District's controversial plan to close dozens of public schools," according to the Philadelphia City Paper.¹⁴²

Pattern of Transfers from Students First to Other PACS 2011-2012

PAC NAME	PAC OFFICERS	PERCENT OF FUNDS FROM STUDENTS FIRST AND ITS FOUNDERS	AMOUNT RAISED 2011-2012
Fighting Chance PAC	Patricia A. Welty, (Chair), J. Brian O'Neill, (Treas.)	100%	\$395,000 (\$95,000 from Students First PAC plus \$100,000 each from Greenberg, Dantchik, and Yass)
Democrats for Education Reform PAC	Louis Decree (Chair), Mark Fabbi (Treas.)	100%	\$124,500 (\$49,500 from Students First PAC and \$75,000 from Fighting Chance PAC)
Make a Difference PAC	Paula Wright (Treas.)	100%	\$401,639 (All from Students First PAC)
Commonsense for the Commonwealth PAC	Sheila Flickinger (Chair), Scott Welford (Treas.) [Welford uses a Jim Christiana campaign email address]	100%	\$120,000 (\$60,000 Fighting Chance Pac and \$60,000 Students First PAC)
Citizens Alliance for Pennsylvania PAC	John Kennedy (Chair), Leo Knepper (Treas.) Lowman Henry (Former Treas.)	70%	\$525,000 (Students First PAC)
Public Education Excellence PAC		99%	\$22,000 (Students First PAC)
Economic Development PAC		86%	\$24,000 (Students First PAC \$16,000 and Make A Difference PAC \$8,000)
Fund for a Better Pennsylvania	Sheila Flickinger (Treas)	68%	\$90,000 (Students First PAC \$65,000 and Fighting Chance PAC \$25,000)

(Source: Pennsylvania Department of State Data)

Other PACS that Received Money from Students First or SIG Principals

PAC NAME	DONOR COMMITTEE	AMOUNT
Women for Change PAC	Students First	\$20,000
Believe Again PAC		\$61,500 \$7,500
Citizens Networking for Progress		\$8,000
Grassroots Urban Political Alliance		\$20,000
Black Clergy PAC		\$6,000
Progressive Agenda		\$6,000

(Source: Pennsylvania Department of State Data)

Students First PAC and its related entities systematically targeted candidates who supported the corporate education reform industry agenda. The following chart reflects the flow of funds directly from Students First PAC to

incumbents or candidates in open seats and how the PAC augmented its contributions by running donations through one of its related PACS.

Students First and Related PAC Giving to Pennsylvania Candidates

CANDIDATE	% OF FUNDS FROM STUDENTS FIRST PAC AND ITS RELATED PACS	DONATIONS
Jordan Harris (D-186) Open Seat	58% of money raised	Make A Difference PAC \$37,295 Students First PAC 30,000 Economic Development PAC \$2,000
Jewell Williams (D-197) Incumbent lost primary	56% of money raised	Students First PAC \$20,250
Jim Christiana (R-15)	50% of money raised	Students First PAC \$132,500 Fighting Chance PAC \$25,000 Keystone Leaders PAC \$1,000
Anthony Williams (D-8)	50% of money raised	Students First PAC \$80,000 Alliance for Children \$50,000 Make A Difference PAC \$29,000
Margo Davidson (D-164)	45% of money raised	Students First PAC \$37,000 Democrats for Education Reform PAC \$10,000
Brendan Boyle (D-170)	37% of money raised	Students First PAC \$51,000 Fighting Chance PAC \$25,000 Parents & Teachers for Putting Children First PAC \$5,000
Kevin Boyle (D-172)	25% of money raised	Students First PAC \$20,000 Fighting Chance PAC \$12,500 Democrats for Education Reform PAC \$5,000 Parents & Teachers for Putting Children First PAC \$4,000

(Source: Pennsylvania Department of State Data)

Students First PAC and its related entities also targeted a select number of incumbents for defeat by supporting

challengers who would join the privatization effort.

Students First Target Incumbents

CANDIDATE	% OF FUNDS FROM STUDENTS FIRST PAC AND ITS RELATED PACS	DONATIONS
Brian Munroe (D-29) -Democrat who lost the General Election	93% of money raised	Students First PAC \$50,000 Democrats for Education Reform PAC \$33,000
Fatimah Muhammad (D-188) Democrat who lost the primary against the incumbent – public education proponent James Roebuck, Jr.	68% of money raised	Black Clergy PAC \$45,500 Students First PAC \$25,000 Fighting Chance PAC \$20,000 Women for Change PAC \$15,000 Public Education Excellence PAC \$14,500 Progressive Agenda PAC: \$5,900 Economic Development PAC: 5,500 Citizens Networking for Progress PAC \$3,000 Individual donors associated with Student First PAC \$18,454
John McGinnis (R-79) Republican challenger who won the General Election	55% of money raised	Students First PAC \$35,000 Fighting Chance Pac \$10,000 Citizens Alliance of Pennsylvania PAC \$6,700

(Source: Pennsylvania Department of State Data)

CONCLUSION

Pennsylvania's cyber school CEOs who thought they could escape "unscathed" from the law; secretive millionaires profiting from taxpayer funds intended to educate kids; political action committees backed by billionaire scions; and ideologically-motivated investment gurus at Susquehanna International Group – these are only a few examples of the corporate interests benefiting from and pushing a school privatization agenda that has been shown to produce big profits for CEOs, but not better results for Pennsylvania's children.

ALEC politicians and SPN think tanks are all too willing to promote this agenda, because their bread is also buttered by some of the same corporate interests. The losers are Pennsylvania's children, who are not represented by lobbyists in Harrisburg.

Yass, Dantchik, and Greenberg share a fondness for comparing the market to a giant poker game, but it goes beyond analogy. "We actually use poker strategy in training our options traders, because we feel that the parallels are very strong," Yass explained in the 1992 book *The New Market Wizards*.

This gambling mindset begs a question: are the students seen as individuals with a potential to grow and realize their dreams, or as chips that can be cashed in for profit? In 2010, the three Pennsylvania power players lost their \$5 million bet on Williams in the Democratic primary. But as any seasoned poker player knows, a folded hand means little in the long run.

"I know that I'm playing correctly," Yass said in an interview for the 1992 book. "I rarely second-guess myself when I lose, since I know that in the short run most of the fluctuations are due to luck, not skill."

ENDNOTES

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