Do charter schools profit from educating students?

Yes. Many charter schools are structured and operate in ways that allow individuals and corporations to skim money without returning any benefit to students and taxpayers. Even charters labeled "nonprofit" are often run to create profit from public tax dollars via real estate deals, related party transactions and for-profit management.

This is why

Charter school laws permit conflicts of interest and related party transactions. Members of the nonprofit boards who operate charters often have ties to companies and foundations that serve the school. In some cases, the boards are the same.

Education management organizations (EMOs) and charter management organizations (CMOs) follow a business model that too often puts business, not students, first.

Charter operations are sometimes linked to vendors that lease supplies and services to the school. Even when the school is closed, the desks, computers, and equipment that have been purchased with taxpayer money can still be owned by the charter related businesses.

Online charters in particular are often structured and operated to profit from public tax dollars. Not only do the schools forego the expenses public schools have for buildings, transportation, meal services, and reasonable teacher-student ratios, but they also often take advantage of a lax regulatory environment to hide costs and misrepresent enrollments.

Look at the facts

In **Michigan**, nearly 70 percent of charter schools have all or a significant part of their operations under the control of for-profit companies. The state spends $1 billion on unaccountable charter schools.

A **Pennsylvania** state auditor examining lease reimbursements paid by a charter, uncovered the school was located in a building that one of the school's founders had originally owned and then transferred to a non-profit entity he controlled so he could receive the lease payments. A for-profit management company brought in to manage the school also had offices in the same building.

An analysis of the business practices of EMOs operating in **Florida** found an example of the charter firm and its construction partner selling two newly completed schools to the companies' real estate partner – one for only $1 and the other for $10. After taking over the leases, the real estate firm raised lease payments from the school that sold for $1 to $1,325,666 per year.

A law review of charter school practices in **North Carolina** found "there is virtually no way" for the organizations to lose money. They control their charter schools' money, pay themselves what they want in rent, and reimburse themselves for real-estate-related expenses. Their operations often mask how money is spent, how much they profit, and make it almost impossible to audit the real expenses.

In **Washington, DC**, a charter school owner diverted public education funding to his company that paid him more than $2.5 million over a 2-year period. Over the past 10 years, the school had paid his firm more than $14 million.

In **Ohio**, the superintendent and 2 board members of a charter awarded a $420,919 consulting contract to an out-of-state company, which gave them kickbacks in cash, travel, and payments to a separate business.

An investigative report in **North Carolina** found an individual who was instrumental in creating four new charter schools, also controlled the for-profit management companies that managed the schools, leased the desks, computers, and other equipment to the schools, provided training to the schools' teachers, and leased most of the land and buildings the schools occupied.

California's largest network of online charter schools, run by Virginia-based K12 Inc., is treated by the state as a charitable organization that need not pay taxes, even though K12 is a corporation publicly traded on Wall Street. The state has awarded the online charter with $310 million in funding over the past dozen years. A non-profit "front" contracts with the for-profit corporation. K12 operates with "sweeps contracts" that take nearly all of the revenue from the non-profit board to run the school.

Oklahoma's largest online charter school Epic Charter Schools was ordered by the state to repay $11.2 million in funds that auditors say were spent on administrators. Funds were unlawfully transferred to Epic's charter school in California.

Indiana state auditors found that officials from two virtual charter schools misspent more than $85 million in state funding by inflating enrollment and funneling millions to its related companies.

A3 Education, a chain of online charter schools in **California**, defrauded the state of more than $50 million by illegally obtaining the names of 40,000 students whom the schools never actually delivered any instruction to.

Charter management company Charter One is owned by Glenn Way, who oversees a chain of charter schools based mostly in **Arizona** that, over a nine-year period, funneled about $46 million in real estate deals, paid for largely by public funds meant for education, into companies owned by or associated with Way.

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WHAT PRIVATIZERS BELIEVE	WHAT WE BELIEVE
Charter schools have to serve students and parents in order to stay open.	Charter schools can stay financially viable by making money in ways that have nothing to do with education.
Schools should be run like businesses and making a profit provides incentives.	Businesses are about profit and loss, not about educating all children regardless of their circumstances.
Charter schools have to be nonprofit organizations by law.	Many charter schools are nonprofit in name only and are structured in ways that individuals and private enterprises connected to them can make money. They are nonprofit schools run for profit.

Bottom Line

Charter schools are businesses in which both the cost and risk are fully funded by the taxpayers. The initial "investment" often comes from the government or wealthy individuals. And if the business fails, the "owners" are not out a dime, but the customers, who are in this case children, are stranded. Education should not be about making money from tax dollars intended for our children and families.