**Headline:** The Charter Schools Movement Sees Public Schools Preparing for Deep Funding Cuts as a Growth Opportunity

**Teaser:** Desperate parents and a new funding mechanism boost school privatization schemes across the country.

By Sarah Lahm

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**[Article Body:]**

A promotional message on the [website](https://www.mmsaweb.org/) of the Minnesota Math and Science Academy (MMSA), a K-12 charter school in Saint Paul, Minnesota, boasts that since the school was founded in 2014, it has been “growing exponentially.”

In the span of just a few years, the school has built up significant enrollment numbers. Currently, more than 500 kids attend MMSA, according to the school’s [website](https://www.mmsaweb.org/)—where the school appears eager to take on even more students, with a bright green banner inviting parents to “Enroll Now” and complete an online form.

The school’s determination to expand has landed it before the Saint Paul City Council. In an effort to add more kids, MMSA has asked city council members to [approve](https://www.twincities.com/2020/11/27/st-paul-east-side-charter-school-expansions-get-preliminary-bond-approval-despite-impassioned-opposition/) its request for $15 million in tax-exempt conduit bonds, as a means to help the school pay for construction costs associated with its growth, according to reporting by the Saint Paul Pioneer Press.

At a city council meeting in November, MMSA received preliminary approval for the conduit bond request on a 5-2 vote. At the [same meeting](https://www.twincities.com/2020/11/27/st-paul-east-side-charter-school-expansions-get-preliminary-bond-approval-despite-impassioned-opposition/), [Hope Community Academy](https://hopecommunityacademy.org/)—another rapidly growing Saint Paul charter school—requested and received initial approval for $23 million in conduit bonds from the city.

Hope Community Academy’s request was formally [approved](https://www.twincities.com/2020/12/09/hope-community-academy-charter-school-gets-23-million-bond-approval-from-st-paul/) at a December city council meeting, while a decision on MMSA’s bond application has not yet been made.

All of this comes on the heels of another conduit bond request from a Saint Paul charter school. In August, [Hmong College Prep Academy](https://www.hcpak12.org/domain/102) sought—and [won](https://www.twincities.com/2020/08/26/on-4-3-vote-st-paul-city-council-oks-expansion-financing-for-hmong-college-prep-seeks-study-of-charter-school-impacts/)—city council approval for a conduit bond worth [$36 million](https://www.twincities.com/2020/11/27/st-paul-east-side-charter-school-expansions-get-preliminary-bond-approval-despite-impassioned-opposition/). The money will allow the K-12 school to expand even further, although it already has more than 2,000 students, as the Pioneer Press [reports](https://www.twincities.com/2020/11/27/st-paul-east-side-charter-school-expansions-get-preliminary-bond-approval-despite-impassioned-opposition/).

These three schools are part of a growing trend in Saint Paul, where [racially and economically segregated charter schools](https://rc.education.mn.gov/#demographics/orgId--74070010000__p--9/orgId--74103000000__groupType--district__p--9/orgId--74231000000__groupType--district__p--9) are on the rise, their expansions fueled in large part by conduit bonds that allow the city to rake in [millions](https://www.twincities.com/2020/11/27/st-paul-east-side-charter-school-expansions-get-preliminary-bond-approval-despite-impassioned-opposition/) of dollars per year in management fees.

Meanwhile, the city’s own public school system is teetering on the brink of disaster, bleeding [students](https://www.mprnews.org/story/2020/10/15/during-covid19-student-enrollment-is-declining-in-twin-cities-public-school-districts) and funding as both the pandemic and school privatization [schemes](https://www.startribune.com/st-paul-group-steps-up-fight-against-new-charter-schools/564686912/) continue to rage on, mostly unabated.

**Pandemic Equals Opportunity for School Choice**

In a September [article](https://www.twincities.com/2020/09/22/st-paul-district-reports-enrollment-drop-as-pandemic-moves-school-online/) for the Saint Paul Pioneer Press, education reporter Josh Verges observed, “The coronavirus pandemic appears to be accelerating a long-running decline in enrollment for St. Paul Public Schools.” Verges noted that the district’s student numbers have shrunk by 6 percent since last year.

Parents in Saint Paul and throughout the country have opted to keep their kids at home until schools can reopen for in-person instruction. This is especially true in cases of kindergartners, Verges [reports](https://www.twincities.com/2020/09/22/st-paul-district-reports-enrollment-drop-as-pandemic-moves-school-online/), citing the Saint Paul Public School District’s research director, Stacey Gray-Akyea, who “said she’s heard from other large U.S. school districts that kindergarten enrollment is down because families are waiting a year before enrolling their kids.”

Valerie Richardson of the Washington Times [explains](https://www.washingtontimes.com/news/2020/nov/2/public-schools-enrollment-plunge-due-red-shirt-kin/) the decreases in K-12 public school enrollment nationwide: “Where are the students going? Indications are that those frustrated with virtual classroom experience have sought private, charter or home school, while others may have taken a coronavirus gap year.” In Saint Paul, Verges [says](https://www.twincities.com/2020/09/22/st-paul-district-reports-enrollment-drop-as-pandemic-moves-school-online/), “It will be months before state data becomes available to show where those students went, but [private schools have reported increased interest](https://www.twincities.com/2020/08/15/join-us-most-mn-private-schools-plan-for-in-person-classes-as-public-schools-stay-closed/) from families wanting face-to-face classes. The St. Paul district began the year with distance learning at all grades.”

From Saint Paul’s twin city of [Minneapolis](https://www.mprnews.org/story/2020/10/15/during-covid19-student-enrollment-is-declining-in-twin-cities-public-school-districts) to rural, urban, and suburban districts across the country, public school systems are witnessing a dramatic drop in students and in the per-pupil funding they bring with them.

The coronavirus poses a difficult challenge for parents and schools alike trying to balance keeping children healthy and providing them with the best possible education. But even if their intentions are personal rather than political, by keeping their children out of public school this year, parents with the means to do so are also fulfilling a longstanding dream of [politicians](https://thehill.com/opinion/education/484297-democrats-obama-to-sanders-shift-on-charter-schooling) on both the right and the left, where families are able to pick from a full menu of school choice options rather than simply attend their local public school.

Many prominent Republicans and Democrats have [embraced](https://www.edweek.org/policy-politics/barack-obama-says-education-reform-isnt-a-cure-all-is-that-a-flip-flop/2019/06) school choice as the preferred, [up-by-the-bootstraps](https://www.businessinsider.in/policy/economy/news/a-huge-study-of-50-years-of-tax-cuts-for-the-wealthy-suggests-trickle-down-economics-makes-inequality-worse/articleshow/79762384.cms) remedy for [structural inequality](https://inequality.org/research/plutocracy-philanthropic-face/) since at least the 1990s, when the Clinton administration proudly [declared](https://clintonwhitehouse5.archives.gov/WH/Accomplishments/eightyears-05.html) it was working to “support the growth of public charter schools.” At the time, there were around 2,000 charters in the United States.

Today, thanks to support from both sides of the policymaking aisle, there are [more than 7,000](https://nces.ed.gov/programs/coe/indicator_cgb.asp) charter schools across the country. Only in recent years has support among Democrats begun to level off somewhat, in large part because of the highly [controversial](https://www.usatoday.com/story/news/education/2019/03/27/charter-school-betsy-devos-school-choice/3251111002/) performance of President Trump’s Education Secretary Betsy DeVos. (After three years and 11 months in this role, DeVos [resigned](https://dianeravitch.net/2021/01/07/betsy-devos-resigns-citing-trumps-support-for-insurrection/) 13 days before the end of Trump’s term.)

Devos, a billionaire, has also made it harder to hide the privatization angle behind many school choice schemes. She has had [no problem](https://www.mlive.com/public-interest/2020/10/betsy-devos-pushes-for-school-choice-in-pro-family-speech-during-michigan-visit.html) throwing money and political support at [experimental](https://www.nytimes.com/2017/09/05/magazine/michigan-gambled-on-charter-schools-its-children-lost.html) charters and school voucher programs in her home state of Michigan, while many public school districts there have been [starved](https://www.detroitjournalism.org/2019/01/24/report-michigan-has-biggest-school-funding-decline-in-nation/) of resources.

Still, the damage has already been done, as a confluence of factors—from the pandemic to the decades-long [decline](https://www.educationnext.org/costs-cutting-school-spending-lessons-from-great-recession/) in funding for public education—continues to prove [favorable](https://www.usatoday.com/story/opinion/2020/02/24/voters-strongly-support-school-choice-educators-should-listen-column/4831964002/) for the nearly unchecked growth of charter schools.

**National Trend**

Take charter school enrollment in Florida, for example. The state’s Republican governor, Ron DeSantis, has repeatedly defied science and declined to show any sort of [consistent leadership](https://www.sun-sentinel.com/coronavirus/fl-ne-desantis-education-coronavirus-20201020-6iwibgtx4vgxjczsukqnlno7am-story.html) around COVID-19, and as a result, public schools have been left to [flounder](https://www.floridatoday.com/story/news/education/2020/12/01/covid-19-data-health-department-tell-you-but-bps-wont/6476679002/).

In some cases, as with the Brevard County [school district](https://www.floridatoday.com/story/news/education/2020/12/01/covid-19-data-health-department-tell-you-but-bps-wont/6476679002/), according to Florida Today, parents may not always be getting accurate information about coronavirus case numbers at their child’s school.

DeSantis has [refused](https://www.webmd.com/lung/news/20201201/florida-dovernor-discounts-lockdowns-and-mask-mandates) to implement lockdowns or other pandemic mitigation measures and has instead insisted that schools should not and will not shut down in Florida. In many areas, this has forced local officials to take matters into their own hands and implement temporary shutdowns—sometimes without DeSantis’s [apparent knowledge](https://www.jacksonville.com/story/news/education/2020/10/20/live-updates-gov-desantis-hosts-education-briefing-jacksonville/5991268002/).

The confusion and lack of leadership have helped fuel an enrollment boom for charter schools in cities such as Tampa Bay, according to a December [PBS/Tampa Bay Times report](https://www.pbs.org/wgbh/frontline/article/tampa-bay-charter-schools-are-growing-during-the-coronavirus-pandemic/) from Marlene Sokol. Sokol documented the challenges Tampa Bay area parents are facing as their children’s traditional public schools have been forced to toggle between online and in-person instruction, depending on the rate of COVID-19 cases nearby.

One parent decided early on that enrolling her kids in a charter school would “make pandemic life easier and more predictable,” after realizing that “charter schools didn’t have to follow the public schools’ calendar, or its rules and regulations” and would therefore likely be open even when public schools were not, Sokol reported.

Charter schools in the greater Tampa Bay area gained nearly 5,000 new students this year, Sokol wrote, while their traditional public school counterparts collectively lost more than 18,000 students.

A simple Google search yields similar stories from districts around the United States. In November, a local news source in Michigan [reported](https://www.mlive.com/news/2020/11/virtual-charter-schools-see-boom-in-enrollment-with-covid-19-disrupting-traditional-schooling.html) that virtual charter schools across the state were overflowing with new students this year.

That’s because parents are “seeking out established cyber charter schools, either because they didn’t want in-person learning for their children or because they lacked confidence in their home school district’s virtual option,” the report states.

This phenomenon is echoed in states such as Oklahoma. There, Epic Charter Schools, a large online network with a national reach, has been adding up to 1,000 students each day, while the COVID-19 pandemic continues to [wreak havoc](https://www.sfchronicle.com/news/article/University-Oklahoma-sets-record-for-weekly-15843193.php), according to the [Associated Press](https://apnews.com/article/charter-schools-oklahoma-city-oklahoma-pandemics-virus-outbreak-2b1600ae9484757a8e70f74a560fdcd6).

**Charter School Corruption and Controversy Abounds**

Epic Charter Schools has been gaining [students](https://oklahomawatch.org/2020/11/25/school-funding-outlook-distressing-in-an-already-difficult-year/) and [millions](https://progressive.org/public-school-shakedown/oklahoma-bankrolled-virtual-charter-thompson-201022/) in per-pupil funding at a record pace. In 2019, however, the Oklahoma-based network, described as a “juggernaut” by Andrea Eger in a report for [Tulsa World](https://tulsaworld.com/news/local/education/epic-charter-schools-under-investigation-by-state-federal-law-enforcement-agencies/article_22ffe5cc-b6e5-54f8-9612-4f08ae6ae3d2.html), became the target of federal and state investigators.

According to Eger’s [reporting](https://tulsaworld.com/news/local/education/epic-charter-schools-under-investigation-by-state-federal-law-enforcement-agencies/article_22ffe5cc-b6e5-54f8-9612-4f08ae6ae3d2.html), among the issues investigators zeroed in on was the way Epic’s founders, Ben Harris and David Chaney, appeared to be [fleecing taxpayers](https://oklahoman.com/article/5678469/state-auditor-epic-shortchanged-taxpayers-an-additional-823000). The two men run Epic’s huge charter school network, which brought in close to [$113 million](https://tulsaworld.com/news/local/education/epic-charter-schools-under-investigation-by-state-federal-law-enforcement-agencies/article_22ffe5cc-b6e5-54f8-9612-4f08ae6ae3d2.html) in state funds in 2019, and they also maintain a separate, for-profit business known as Epic Youth Services.

This is an issue because it appears to indicate double-dipping on behalf of Harris and Chaney. Their management company, Epic Youth Services, has a contract with Epic Charter Schools to provide operational services. According to Eger’s [report](https://tulsaworld.com/news/local/education/epic-charter-schools-under-investigation-by-state-federal-law-enforcement-agencies/article_22ffe5cc-b6e5-54f8-9612-4f08ae6ae3d2.html), this contract is worth a flat fee of $125,000 per year, along with “a 10 percent share of the school’s collected revenues.”

When questioned by Eger, Harris [said](https://tulsaworld.com/news/local/education/epic-charter-schools-under-investigation-by-state-federal-law-enforcement-agencies/article_22ffe5cc-b6e5-54f8-9612-4f08ae6ae3d2.html) that Epic Youth Services is a “private company,” and, as such, should not be required to divulge who its “customers” are. But it is the public whose tax dollars have been used toward the charter school network managed by Epic Youth Services.

In December, Oklahoma State Auditor Cindy Byrd [released](https://twitter.com/Erika_Stanish/status/1339358503236988929?s=20) information revealing that Epic Charter Schools failed to report close to $10 million in administrative costs, leading the state’s governor, Kevin Stitt, to demand [repayment](https://okcfox.com/news/local/audit-reveals-epic-charter-schools-has-60-days-to-pay-back-millions). As noted in a December report in [the Oklahoman](https://oklahoman.com/article/5678469/state-auditor-epic-shortchanged-taxpayers-an-additional-823000), “Epic denies it misreported any funds.”

According to Oklahoma [officials](https://okcfox.com/news/local/audit-reveals-epic-charter-schools-has-60-days-to-pay-back-millions), the charter school network has 60 days to refund the money to the state’s Department of Education.

**Corruption Tarnishes Charter School Industry**

Potential [corruption](https://stateimpact.npr.org/oklahoma/2019/09/12/investigations-into-epic-charter-schools-explained/) issues such as these matter tremendously, even in the best of times. But right now, public education is facing the worst of times, at least financially. Budget crunches are par for the course in many school districts, especially in the wake of the [Great Recession](https://irle.berkeley.edu/what-really-caused-the-great-recession/) in 2008, when [austerity measures](https://www.axios.com/austerity-has-left-states-behind-by-billions-on-education-afdb9c97-eefe-4e81-8fb6-3ea3f15d2e54.html) hit public education particularly hard.

In states like Oklahoma, Arizona, and West Virginia, the longstanding underfunding of public schools helped [create](https://www.nea.org/advocating-for-change/new-from-nea/arizona-teachers-poised-largest-walkout-nation) the Red for Ed wave of teacher walkouts and wildcat strikes that have rolled across the country since 2018.

In Minnesota, funding for K-12 and public higher education has not kept pace with inflation since the 2000s, when the state’s Republican governor, Tim Pawlenty, attempted to [balance](https://www.duluthnewstribune.com/news/2284915-pawlenty-puts-hold-money-schools-balance-state-budget) the state’s budget on the backs of schools, all while clinging to a [“no new taxes”](https://www.mprnews.org/story/2011/05/25/pawlenty-taxes) pledge.

Now, of course, the COVID-19 pandemic has caused a further funding crisis for many public schools who must now shoulder unexpected technology and cleaning costs, for example, while state and federal leaders can often be found dragging their feet when it comes to providing [adequate](https://www.k12dive.com/news/analysts-cares-acts-135b-for-k-12-amid-coronavirus-outbreak-not-enough/574873/) financial support.

**Charter Funding**

In the midst of all this, the charter school industry has continued to grow, in Minnesota and many other states across the country. That has meant further stress on an already-shrinking K-12 education funding pot, as more and more publicly funded, privately run charters pop up—sometimes right next to a [struggling](https://www.minnpost.com/education/2019/11/campaign-to-halt-charter-school-growth-is-stirring-up-a-heated-debate-in-st-paul/) traditional public school.

Consider the story of Saint Paul’s Hmong College Prep Academy. This school is Minnesota’s [largest](https://www.hcpak12.org/domain/27) single-location charter school, serving close to 2,400 students in grades K-12. It is located in an industrial neighborhood of the city, and has asked for and received [millions](https://www.moodys.com/research/Moodys-Assigns-Ba2-to-Hmong-College-Prep-Academy-MNs-435M--PR_903655265) in municipal conduit bonds since the school was founded in 2003.

This money, along with per-pupil revenue from the state’s education coffers, has allowed the school to grow in terms of both enrollment and footprint. For one thing, the school recently built a large sports dome that the [public](https://www.twincities.com/2020/08/18/access-to-st-paul-charter-schools-sports-dome-at-issue-in-financing-request-to-city-council/) is supposed to be able to access, since their tax dollars paid for it, yet Verges reported in August for the Pioneer Press that many neighbors have complained that they have not been allowed to reserve space in the arena.

These particular factors are just the tip of the iceberg behind Saint Paul City Council member Mitra Jalali’s decision to [vote no](https://www.twincities.com/2020/08/26/on-4-3-vote-st-paul-city-council-oks-expansion-financing-for-hmong-college-prep-seeks-study-of-charter-school-impacts/) on Hmong College Prep Academy’s most recent bond request.

Instead, in a recent interview with Our Schools, Jalali said she has made a commitment to [shoot down](https://www.twincities.com/2020/11/27/st-paul-east-side-charter-school-expansions-get-preliminary-bond-approval-despite-impassioned-opposition/) any current or future conduit bond requests from charter schools until a formal impact [study](https://www.monitorsaintpaul.com/stories/monitor-in-a-minute-september-2020,1519) can be completed by the city’s planning department.

When asked why she thinks such a study is necessary, Jalali offered a list of concerns related to the continued spread of charter schools in Saint Paul.

Without a detailed impact assessment, Jalali argues, no one knows yet what the exact cost of these conduit bond-funded charter expansions is in terms of the city’s overall finances, for example. In some cases, growing charter schools take over previously taxable land or buildings, which reduces the city’s tax base. A similar interest-free charter school loan program in New Jersey led to “exploit[ation],” according to a 2019 [exposé](https://www.northjersey.com/in-depth/news/watchdog/2019/03/27/federal-program-used-pay-privately-owned-charter-school-buildings/2956629002/) from reporters Abbott Koloff and Jean Rimbach.

These tax-exempt bonds are also designed to reduce the amount of income tax wealthy investors pay, according to a 2016 [sales pitch](https://www.ziegler.com/z-media/3045/what-are-tax-exempt-bonds-2016.pdf) from Ziegler, a private investment bank that specializes in financing private and charter school projects. Investors who help finance conduit bonds are typically not required to pay federal income tax on the interest generated from these bonds, the Ziegler document advises.

In return, investors offer borrowers a lower interest rate, making it easier for them to take on more debt and expand their privately run, publicly funded charter schools. These bonds [are](https://www.ziegler.com/z-media/3045/what-are-tax-exempt-bonds-2016.pdf) “free from state and municipal income taxes as well,” according to Ziegler. This in turn limits the amount of tax revenue used to fund public education in the first place.

Saint Paul already has a reduced tax base, Jalali noted, where a large number of churches and nonprofits exist but do not pay property taxes—an issue the Saint Paul Federation of Educators [raised](https://themacweekly.com/72792/news/saint-paul-teachers-call-for-macalester-tax-contribution/) in 2017, in the face of another round of punishing budget cuts for the city’s school district.

Jalali also has questions about whether or not it is equitable for the city to help finance new charter school facilities while the Saint Paul Public Schools district [struggles](https://www.twincities.com/2019/12/10/costs-rise-another-33-percent-for-next-years-st-paul-school-construction-projects/) to maintain its own aging infrastructure. “Do Saint Paul Public Schools students have the same access to facilities as students who attend a new charter school?” she wondered.

What the city council has received, Jalali noted, is “individual applications from charter schools with varying degrees of transparency,” in terms of accountability and financial considerations.

Now, she and her fellow Saint Paul council member, Nelsie Yang, who have both [voted no](https://www.monitorsaintpaul.com/stories/monitor-in-a-minute-september-2020,1519) to recent bond requests, insist that the city needs to step back and create a more comprehensive application and review process before any more charter school expansions get approved.

Jalali is hoping such a review will be completed by city staffers within the first six months of 2021. In the meantime, schools like Hmong College Prep Academy will likely keep pushing forward, adding students and [expanding](https://www.hcpak12.org/domain/1148) their influence in Saint Paul, all on the public’s dime.

In the wake of all this, families in cities like Saint Paul will increasingly be at the mercy of [school privatization schemes](https://www.commondreams.org/news/2020/12/16/school-privatization-zealot-betsy-devos-reportedly-urging-career-education-staff). These market-based approaches to education policy simultaneously drain funds from the public system while further creating islands of winners and losers, rather than lifting up all kids for the sake of the common good.