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Legislature has Obligation to Taxpayers and Children to Improve Financial Accountability and Oversight of Charters

Phoenix - February 6, 2018 – Discovery Creemos Academy, a charter school which closed last week, should never have been allowed to open this year. If we had proper financial accountability it would have been closed well before the school year began.

What happened at Discovery Creemos could happen elsewhere. So far the legislature has prioritized who blow dries your hair over hundreds of millions of dollars in questionable transactions at Arizona charter schools. In our report issued in September, the Grand Canyon Institute noted that three-fourths of charter schools were engaged in related-party self-dealing that did not save taxpayer dollars, involving close to half a billion dollars.

As a forthcoming Grand Canyon Institute report will note, one-third of charter schools in Arizona are engaged in self-dealing and have had multiple years of net losses—which in some cases is already leading to negative net assets.

Discovery Creemos Academy had known financial issues dating back four years. Two years ago their net assets topped a negative million dollars (Net Assets are the difference between Assets and Liabilities). They clearly were not on a sustainable financial path and did not pass the charter board's financial dashboard. The school's academic performance had already fallen from a C to a D in FY2014, their first year of negative net assets...and in the most recent letter grades the school received an F for academic performance.

The owner of the school had created numerous self-dealing operations (all legal under Arizona state law) where the school contracted directly with his private companies operated by himself and his wife and purchased undesignated supplies for more than half a million dollars in FY2016. Nearly another half a million dollars that's not well accounted for may have been a personal slush fund for the charter operator—and may constitute fraud. That was referred in March 2017 by the charter board to the attorney general—ten months prior to closure and five months before the start of this school year.

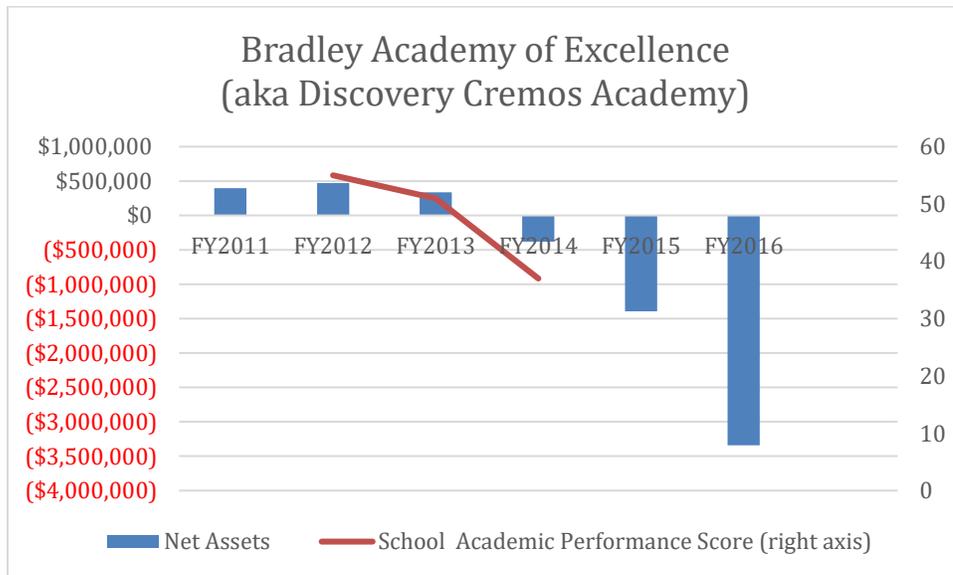
The school receives \$4 million annually from the state General Fund. Because Discovery Creemos Academy conveniently closed after the 100th day of the school year—the school’s charter holder will receive the full state payment for the school year—even though they stopped paying teachers and educating students in January. That’s \$1.8 million dollars extra just for closing down and leaving hundreds of families scrambling to find a new school and the children, already at risk academically, left in the unenviable place of trying to catch up in a new school.

Taxpayers deserve better accountability

Children, Parents and Teachers deserve to be financially protected

Lawmakers need to hear bills that protect taxpayers, students, parents, and the good players in the charter industry.

1. Subject charter schools to the same procurement practices as District schools—so they can’t make sweet heart deals with for profit companies that they own.
2. Empower the State Charter Board with the ability to close down financially problematic schools.
3. Re-examine whether charter school board members should be allowed to have financial interests in the charter school they oversee.



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