**BASIS Sinks Further Into The Abyss**

 **Arizona BASIS Schools Lost $12 million in 2018 and are $43 million in the red:**

 **So they borrowed $117 million to stay afloat…and collected $18 million from parents**

Arizonans for Charter School Accountability

Jim Hall

BASIS Schools lost $12 million in 2018 to create a $43 million total deficit - more than any charter chain in Arizona… by far. They still have $17 million cash to keep the schools open – largely as the result on borrowing $117 million to refinance old loans and, yes, keep expanding. $16 million in new debt went to build a school in Baton Rouge LA with Arizona schools and income as collateral.[[1]](#footnote-1)

BASIS executives like to argue that they are simply refinancing debt to get lower interest rates and the red ink is caused by having to pay substantial prepayment penalties for the new loans.

The problem is far deeper than refinancing debt. BASIS Schools in Arizona, Texas, and Washington D.C. have lost money 5 of the last six years to the tune of -$17 million. The chart below includes the income and expenses of Arizona, Texas, and BASIS Schools 2012-2018 of all BASIS schools.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|   | Revenue | Expenses | Net | Loan Costs | Total Net For Year | Total Net Assets |
| 2012 | $27,685,693 | $26,971,457 | $714,236 | $0 | $714,236 | $688,632 |
| 2013 | $43,952,493 | $49,337,245 | $615,248 | -$281,029 | -$2,205,781 | -$1,517,149 |
| 2014 | $61,818,112 | $66,108,317 | -$4,290,205 | $0 | -$4,290,205 | -$5,807,354 |
| 2015 | $84,472,972 | $87,547,289 | -$3,074,317 | -$4,528,992 | -$7,603,309 | -$13,312,226 |
| 20i6 | $103,334,392 | $103,099,711 | $224,681 | -$9,921,879 | -$9,667,198 | -$22,989,424 |
| 2017 | $120,419,729 | $125,419,729 | -$4,773,936 | -$4,105,155 | -$9,163,678 | -$32,153,102 |
| 2018 | $145,528,612 | $152,181,273 | -$6,652,661 | -$5,015,513 | -$11,668,174 | -$43,821,276 |
| TOTAL | $587,212,003 | $610,665,021 | -$17,236,954 | -$23,852,568 | -$43,884,109 |   |

Simply put, the problem at BASIS is they spend way more than they bring in. BASIS Schools in Arizona overspent their revenue by $7.8 million in 2018. BASIS Ahwatukee and BASIS Prescott lost over $ 1 million each last year. Is it possible to imagine a school of 700 overspending its budget by $1 million? At the BASIS “Best Schools in America” it is standard operating procedure:

|  |  |  |  |
| --- | --- | --- | --- |
| Charter Holder | Total Expenses | Total Revenue | Net Gain-Loss |
| BASIS Schools, Goodyear | $2,528,094 | $1,711,277 | -$816,817 |
| BASIS Schools, Goodyear Primary | $3,959,730 | $4,558,310 | $598,580 |
| BASIS Schools, Scottsdale Primary | $5,815,666 | $4,869,796 | -$945,870 |
| BASIS Schools, Chandler Primary | $3,985,397 | $3,903,565 | -$81,832 |
| BASIS Schools, Tucson  | $7,127,115 | $6,386,501 | -$740,614 |
| BASIS Schools, OV | $5,612,738 | $4,868,932 | -$743,806 |
| BASIS Schools, Scottsdale | $11,073,254 | $10,090,597 | -$982,657 |
| BASIS Schools, Peoria | $5,684,684 | $6,488,665 | $803,981 |
| BASIS Schools, Chandler | $8,959,329 | $8,073,007 | -$886,322 |
| BASIS Schools, Flagstaff | $5,737,651 | $5,315,782 | -$421,869 |
| BASIS Schools, Tucson North | $8,022,346 | $7,870,763 | -$151,583 |
| BASIS Schools, Phoenix | $6,396,947 | $6,757,871 | $360,924 |
| BASIS Schools, Ahwatukee | $7,345,492 | $6,330,195 | -$1,015,297 |
| BASIS Schools, Mesa | $6,144,556 | $5,179,868 | -$964,688 |
| BASIS Schools, Phoenix Central | $7,219,227 | $7,175,271 | -$43,956 |
| BASIS Schools, OVP | $6,327,364 | $5,775,344 | -$552,020 |
| BASIS Schools, Prescott | $6,995,820 | $5,991,326 | -$1,004,494 |
| BASIS Schools, Peoria Primary | $4,716,685 | $4,748,109 | $31,424 |
| BASIS Schools,Phoenix South Primary | $2,693,419 | $2,602,740 | -$90,679 |
| BASIS Schools, Chandler Primary North | $4,853,329 | $4,696,894 | -$156,435 |
| Total | $121,198,843 | $113,394,813 | -$7,804,030 |

The continual refinancing has not provided a savings for BASIS; in fact Arizona schools spent 76% more ($669/pupil) for mortgage payments in 2018 compared to 2016:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 2018 Enrollment | Charter Holder | 2018 Debt Service  | 2018 Debt/pupil | 2016 Enrollment | 2016 Debt Service | 2016 Debt/pupil | Difference 2018-2016 |
| 192 | BASIS Schools, Goodyear | $204,995 | $1,068 | 127 | $399,882 | $3,149 | -$2,081 |
| 548 | BASIS Schools, Goodyear Primary | $454,028 | $829 | 408 | $542,541 | $1,330 | -$501 |
| 508 | BASIS Schools, Scottsdale Primary | $832,709 | $1,639 | 175 | $95,875 | $548 | $1,091 |
| 406 | BASIS Schools, Chandler Primary | $233,166 | $574 | 445 | $110,403 | $248 | $326 |
| 760 | BASIS Schools, Tucson  | $1,323,594 | $1,742 | 887 | $877,746 | $990 | $752 |
| 549 | BASIS Schools, OV | $729,429 | $1,329 | 563 | $280,723 | $499 | $830 |
| 1091 | BASIS Schools, Scottsdale | $2,691,835 | $2,467 | 744 | $585,062 | $786 | $1,681 |
| 675 | BASIS Schools, Peoria | $767,124 | $1,136 | 750 | $405,448 | $541 | $596 |
| 901 | BASIS Schools, Chandler | $1,626,082 | $1,805 | 749 | $430,958 | $575 | $1,229 |
| 531 | BASIS Schools, Flagstaff | $847,385 | $1,596 | 582 | $323,971 | $557 | $1,039 |
| 921 | BASIS Schools, Tucson North | $1,421,461 | $1,543 | 984 | $1,175,321 | $1,194 | $349 |
| 691 | BASIS Schools, Phoenix | $650,584 | $942 | 760 | $435,692 | $573 | $368 |
| 634 | BASIS Schools, Ahwatukee | $1,544,248 | $2,436 | 741 | $615,136 | $830 | $1,606 |
| 530 | BASIS Schools, Mesa | $959,254 | $1,810 | 622 | $502,862 | $808 | $1,001 |
| 790 | BASIS Schools, Phoenix Central | $995,326 | $1,260 | 826 | $721,480 | $873 | $386 |
| 735 | BASIS Schools, OVP | $913,871 | $1,243 | 746 | $1,344,105 | $1,802 | -$558 |
| 678 | BASIS Schools, Prescott | $1,023,646 | $1,510 | 747 | $672,421 | $900 | $610 |
|  **11,140**  | **Total** |  **17,218,737**  | **$1,546** |  **10,856**  | **$9,519,626** | **$877** | **$669** |

Oddly, the three BASIS schools in Texas and the school in Washington D.C. made money last year and have $4.8 million in total positive assets, leaving the BASIS Arizona schools with the $5,015,013 in prepayment penalties to get the $177 million in new bonds:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2018 | Revenue | Expenses | Net | Loan Costs | Total Net For Year | Total Net Assets |
| AZ BASIS | $118,571,001  | $125,876,601  | ($7,305,600) | ($5,015,513) | ($12,321,113) | ($49,095,635) |
| DC BASIS | $9,878,939  | $9,612,152  | $266,787  | $0  | $266,787  | $1,602,252  |
| TX BASIS | 20814558 | $20,428,406  | $386,152  | $0  | $386,152  | $3,672,107  |

Where would BASIS be if they didn’t aggressively seek parent donations and charge additional fees for countless items? BASIS raised over $18,000,000 in parent fees and donations - $1,541/pupil. The BASIS plea for donations might be: “We can’t operate our schools efficiently – please give us $1,500 so we can at least keep getting our $16 million management fees.”

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| October 1, 2017 Enrollment | Charter Holder | School Activity Fees |  Other Revenue - Donations | Total Local Revenue | Local Revenue/Pupil |
| 192 | BASIS Schools, Goodyear | $90,333 | $177,812 | $268,145 | $1,397 |
| 548 | BASIS Schools, Goodyear Primary | $157,405 | $320,580 | $477,985 | $872 |
| 508 | BASIS Schools, Scottsdale Primary | $396,374 | $859,274 | $1,255,648 | $2,472 |
| 406 | BASIS Schools, Chandler Primary | $357,799 | $462,337 | $820,136 | $2,020 |
| 760 | BASIS Schools, Tucson  | $534,968 | $651,270 | $1,186,238 | $1,561 |
| 549 | BASIS Schools, OV | $362,148 | $430,662 | $792,810 | $1,444 |
| 1091 | BASIS Schools, Scottsdale | $965,649 | $903,123 | $1,868,772 | $1,713 |
| 675 | BASIS Schools, Peoria | $553,950 | $333,651 | $887,601 | $1,315 |
| 901 | BASIS Schools, Chandler | $679,030 | $427,966 | $1,106,996 | $1,229 |
| 531 | BASIS Schools, Flagstaff | $311,695 | $492,600 | $804,295 | $1,515 |
| 921 | BASIS Schools, Tucson North | $401,107 | $354,408 | $755,515 | $820 |
| 691 | BASIS Schools, Phoenix | $530,880 | $475,685 | $1,006,565 | $1,457 |
| 634 | BASIS Schools, Ahwatukee | $501,072 | $354,297 | $855,369 | $1,349 |
| 530 | BASIS Schools, Mesa | $285,364 | $332,647 | $618,011 | $1,166 |
| 790 | BASIS Schools, Phoenix Central | $512,845 | $748,705 | $1,261,550 | $1,597 |
| 735 | BASIS Schools, OVP | $390,656 | $430,615 | $821,271 | $1,117 |
| 678 | BASIS Schools, Prescott | $340,150 | $409,308 | $749,458 | $1,105 |
| 198 | BASIS Schools, Peoria Primary | $269,477 | $521,180 | $790,657 | $3,993 |
| 133 | BASIS Schools, Phoenix South Primary | $25,989 | $1,082,630 | $1,128,920 | $8,488 |
| 483 | BASIS Schools, Chandler Primary North | $363,859 | $600,564 | $964,423 | $1,997 |
|  11,954  | Total | $8,030,750 | $10,369,314 | $18,420,365 | $1,541 |

It is amazing that bond speculators were still willing to lend BASIS $117 million last year when they lost an average of $10 million a year over the last three years. The Arizona State Board for Charter Schools sees no problem either. Even though BASIS has a “Fixed Charge Coverage Ratio” of .56 when the ratio must be over 1.1 to meet board expectations, the Charter Board will not look into BASIS finances or require any response from them regarding their financial position as long as they don’t seek to expand enrollment caps or add new schools.[[2]](#footnote-2)

Here’s what your financial advisor would tell you if your personal finances were like those at BASIS:

“You can’t borrow your way out of debt, you’ll only dig yourself deeper. Make a budget and stick to it. Cut out non-essentials until the debt is reduced to manageable levels.” BASIS must believe they have a sounder business model.

BASIS Charter Schools lose huge amounts of money every year, even after soaking parents for $18 million in additional funds. On a positive note, BASIS founder Michael Brock still collected $16.7 million in management fees in 2018. The New York City condo HOA fees must be killing him…

1. Data for this report was gathered from BASIS audits available at <https://online.asbcs.az.gov/> and Annual Financial Reports at: http://www.ade.az.gov/Districts/EntitySelection.asp [↑](#footnote-ref-1)
2. The fixed-charge coverage ratio shows how well a company's earnings can cover its fixed expenses. [↑](#footnote-ref-2)