**The Charter Board’s lack of oversight resulted in millions being stolen by the Bradley Academy**

**The Starshine Academy is next.**

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The closing of the Bradley Academy in Goodyear on January 30, 2018 shines a light on the lack of oversight provided by the charter board that allowed the Bradley CEO Daniel Hughes, to abscond with perhaps millions of tax dollars.

The Bradley 2016 Annual Financial Report clearly showed that Mr. Hughes was spending $1.8 million on management of the school of 411 students while cutting teacher salaries since 2011. Hughes paid four companies he owned over half a million dollars and had a personal revolving fund of over $470,000. The Arizona State Board for Charter Schools did not consider this data when they renewed the Bradley Charter in June 2017.

The Bradley Academy is not an isolated example of the lack of oversight by the Charter Board. Arizonans for Charter School Accountability has identified 22 other charter schools in Arizona that have the same red flags as the Bradley Academy, namely the lack of spending for teacher salaries and classroom instruction compared to administrative spending and expenditures on facilities. 23 Arizona charter schools achieve what would be unimaginable in a public district – they spend more individually on both administration and their facilities than on all classroom instruction. See Table 1

Table 1 Charters spending more on both administration and facilities as in the classroom per pupil 2016-17

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Enrollment October 1, 2016 | Charter Holder | Instruction/Pupil | Administration/pupil | Plant/Pupil | Plant more than Instruction/pupil | Administration more than instruction/pupil  |
| 240 | AIBT Non-Profit Charter High School - Phoenix | $507 | $1,144 | $2,080 | $1,573 | $637 |
| 467 | American Charter Schools Foundation d.b.a. Alta Vista High School | $1,514 | $1,870 | $1,990 | $476 | $356 |
| 279 | American Charter Schools Foundation d.b.a. Estrella High School | $1,391 | $1,677 | $3,085 | $1,694 | $286 |
| 440 | American Charter Schools Foundation d.b.a. South Pointe High School | $1,288 | $1,751 | $2,775 | $1,487 | $462 |
| 461 | American Charter Schools Foundation d.b.a. Sun Valley High School | $1,937 | $2,043 | $2,326 | $390 | $106 |
| 431 | American Charter Schools Foundation d.b.a. West Phoenix High School | $1,604 | $1,746 | $2,541 | $937 | $142 |
| 840 | E-Institute Charter Schools, Inc. | $1,138 | $2,901 | $1,764 | $626 | $1,763 |
| 12 | East Valley Academy | $0 | $1,122 | $2,185 | $2,185 | $1,122 |
| 75 | Edkey, Inc. - Sequoia School for the Deaf and Hard of Hearing | $5,382 | $6,059 | $6,090 | $708 | $677 |
| 689 | Educational Options Foundation | $500 | $1,341 | $715 | $215 | $841 |
| 336 | Espiritu Community Development Corp. | $2,570 | $2,623 | $4,116 | $1,546 | $53 |
| 46 | Integrity Education Incorporated | $2,041 | $2,238 | $2,585 | $545 | $197 |
| 69 | Intelli-School, Inc. | $1,556 | $5,263 | $1,940 | $384 | $3,706 |
| 29 | Kaizen Education Foundation dba Advance U | $4,084 | $6,414 | $4,151 | $67 | $2,330 |
| 33 | Kestrel Schools, Inc. | $836 | $1,816 | $1,390 | $554 | $980 |
| 145 | Legacy Education Group | $1,786 | $1,859 | $3,646 | $1,860 | $73 |
| 200 | PAS Charter, Inc., dba Intelli-School | $951 | $4,506 | $1,376 | $425 | $3,556 |
| 180 | Phoenix Collegiate Academy, Inc. | $2,394 | $5,175 | $4,410 | $2,016 | $2,780 |
| 170 | RSD Charter School, Inc. | $1,164 | $1,506 | $1,783 | $618 | $341 |
| 69 | SC Jensen Corporation, Inc. dba Intelli-School | $1,320 | $4,776 | $1,407 | $88 | $3,456 |
| 169 | StarShine Academy | $3,092 | $3,151 | $3,653 | $561 | $59 |
| 34 | Victory High School, Inc. | $1,524 | $1,792 | $1,546 | $21 | $267 |
| 15 | Vista Charter School | $666 | $2,499 | $4,588 | $3,922 | $1,834 |

Each charter holder needs to be investigated to determine why classroom spending is the lowest of all schools in the state.

**The Star Shine Academy**

The Starshine Academy is a different story than the Bradley Academy. The Charter Board actually voted on May 12, 2012 to not renew the Starshine charter based upon both poor academic achievement and financial mismanagement. Starshine had failed to meet academic performance standards for five years and had serious mismanagement issues – failure to make State Retirement payments, failure to pay state and federal withholding, not following fingerprinting laws, inability to pay vendors, etc. The Charter Board voted unanimous to deny them a new charter.

Starshine Academy owner Trish McCarty requested a hearing to dispute the Board Decision. After a day of testimony before the Arizona Office of Administrative Hearings, the hearing was adjourned and the Charter Board reconvened to reexamine the charter renewal for Starshine, citing “legal issues that could pose a problem for the Board”. The Charter Board reversed their unanimous denial and approved the renewal with one “no” vote and two abstentions.

The following year, Starshine received a $12 million bond from the Pima Industrial Authority to purchase their existing campus, remodel it, purchase a lot across the street to build a sports field, and build over $ 4 million worth of new facilities. Starshine did not mention any of the concerns on their bond application expressed by the Charter Board when they voted to deny renewal. Starshine even falsely stated that” the school met annual measureable objectives for 2011-12.

Unlike “Field of Dreams”, they built it but students did not magically appear. Starshine’s enrollment was projected on the bond application to increase to 600 students for 2014. Only 428 showed up. Enrollment has continued to drop until there are just 93 students remaining as on the 100th day 2018. The $800,000 mortgage payments for the $12 million loan have resulted in massive deficits every year since , totaling over $3 million since 2013. See Table 2

Table 2 Starshine Academy budget deficits 2011-2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | Enrollment | Total M&O | Total Revenue | Loss/Gain |
| 2011 | 220 | $1,541,651 | $1,418,711 | -$122,940 |
| 2012 | 137 | $1,136,153 | $1,055,894 | -$80,259 |
| 2013 | 233 | $1,688,329 | $1,813,992 | $125,663 |
| 2014 | 428 | $4,122,626 | $3,014,097 | -$1,108,529 |
| 2015 | 325 | $3,350,905 | $2,972,890 | -$378,015 |
| 2016 | 222 | $2,999,262 | $2,172,315 | -$826,947 |
| 2017 | 169 | $2,245,943 | $1,644,634 | -$601,309 |
| 2018 | 93 |   |   |   |

Starshine filed for bankruptcy in December 2016 but they are still in operation today.

The $800,000 mortgage payments increased Starshine’s facilities costs by over $1 million a year compared to previous building leases – with fewer students. See Table 3

Table 3 Starshine facilities costs 2011-2017

|  |  |  |  |
| --- | --- | --- | --- |
|   | Enrollment | Total M&O | Total Facilities |
| 2011 | 220 | $1,541,651 | $64,871 |
| 2012 | 137 | $1,136,153 | $59,300 |
| 2013 | 233 | $1,688,329 | $75,194 |
| 2014 | 428 | $4,122,626 | $1,099,215 |
| 2015 | 325 | $3,350,905 | $1,121,969 |
| 2016 | 222 | $2,999,262 | $1,078,964 |
| 2017 | 169 | $2,245,943 | $617,313 |

The high mortgage payments have taken their toll on spending for classroom instruction; per pupil expenditures are $1,247 less per pupil in 2017 as they were in 2012. But the belt tightening doesn’t extend to management expenses that have doubled since 2012. See Table 4

Table 4 Starshine Academy spending/pupil for instruction, administration, and facilities 2011-2017

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | Enrollment | Instruction/Pupil | Admin/Pupil | Facilities/Pupil |
| 2011 | 220 | $3,252.6 | $877.7 | $295 |
| 2012 | 137 | $4,021.6 | $1,377.8 | $433 |
| 2013 | 233 | $3,809.9 | $1,668.5 | $323 |
| 2014 | 428 | $2,741.5 | $2,127.6 | $2,568 |
| 2015 | 325 | $2,565.2 | $2,512.3 | $3,452 |
| 2016 | 222 | $2,646.3 | $2,587.2 | $4,860 |
| 2017 | 169 | $2,774.1 | $3,133.3 | $3,653 |

**Conclusion:**

Starshine Academy had a long history of mismanagement and poor academic performance and the Charter Board rightly denied their renewal in 2012. Unknown “legal problems” for the Board forced them to renew the charter. Despite having only 233 students and a track record of mismanagement, the Pima Industrial Authority gave the school $12 million to build a brand new school designed to accommodate 1000 students, saddling Arizona taxpayers with $ 1million per year in addition facility expenses for the school.

The Charter Board failed to prevent this mismanaged non-profit from blindly building a showcase facility. The Pima Industrial Authority failed to provide due diligence in vetting Starshine, leaving bond holders at risk, and allowing Starshine to force Arizona taxpayer to fund a $800,000/year mortgage for a school of 100 students.

The question is: Does this constitute the misappropriation of public funds? If so, what responsibility do state agencies have in detecting and preventing such fraud? The Charter Board needs to close Starshine Academy to stop the $1 million a year real estate scam to buy luxury facilities they don’t need.

The Pima Industrial Authority apparently approves bonds to any investor group willing to take a risk on charter schools, regardless of the consequences to taxpayers and children. PIA must work with the Charter Board in the bond process to assure that granting a charter construction bond is a responsible use of public funds.

Both agencies failed to protect the public from the mismanagement of the Starshine Academy. The Attorney General needs to hold them both accountable.