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'The ethical thing to do': Why this small San Diego charter school passed on COVID PPP loans



Albert Einstein Academies, a small San Diego charter school chain, turned down a forgivable \$3 million Paycheck Protection Program loan.

Craig Harris USA TODAY

Published 2:03 AM PDT Mar. 22, 2022 | **Updated 12:59 PM PDT Mar. 22, 2022**

Story Highlights

Learn4Life, a charter chain, got a combined \$32.7 million in PPP loans through 12 related firms.

California charter schools had six of the eight largest PPP loans in the U.S. among charters.

In Arizona, two prominent charter chains also turned down the money, saying they didn't meet the requirements.

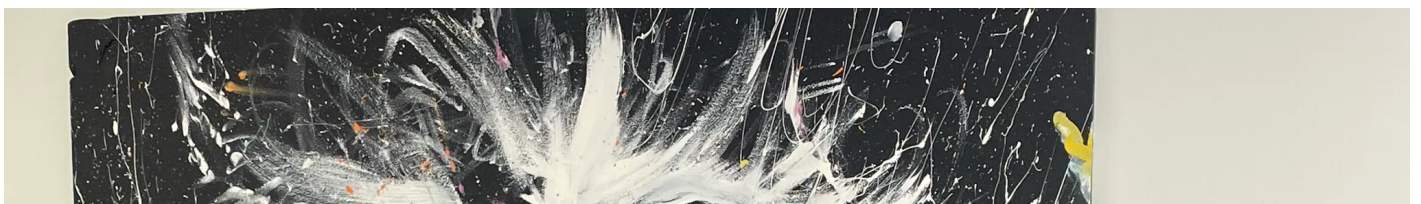
SAN DIEGO - The Albert Einstein Academies, which educate 1,450 students from kindergarten through eighth grade at two inner-city campuses here, could have used a forgivable loan from the federal Paycheck Protection Program.

Half of the middle school students and close to one-third of the elementary kids come from low-income homes and qualify for free or reduced-price lunches at the charter schools, its superintendent said.

But while the academies were eligible for up to \$3 million in forgivable loans based on revenues that largely came from taxes, Superintendent David Sciarretta didn't feel right about taking the money.

He said the loan program, started by Congress in March 2020 at the beginning of the pandemic, was intended to help financially struggling small businesses stay open and avoid laying off employees.

Charters are privately operated schools that are publicly funded.





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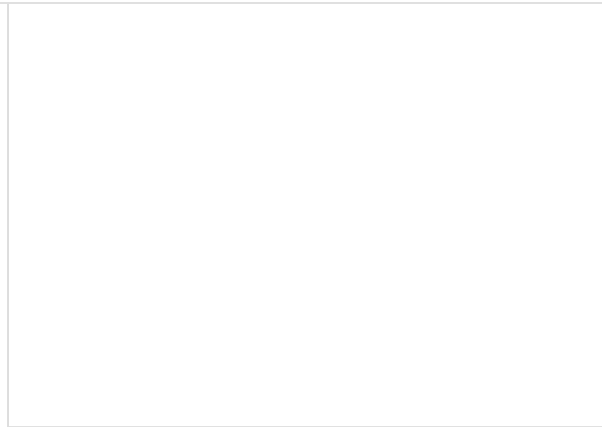
We could have always used the money. But, growing up, my mom told me: 'If there's food on the table and there are other folks who are hungrier than you, then you need to let them eat because they have a greater need than you do.'

David Sciarretta, Albert Einstein Academies superintendent

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Sciarretta said Einstein, whose charter school campuses are minutes from downtown, didn't suffer financially because California continued its pre-pandemic level of public school funding during the health crisis even if enrollment declined, giving some schools additional money. He said refraining from taking the loans was "the ethical thing to do."

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"We could have always used the money," said Sciarretta, recently awarded the 2022 Hart Vision Award Winner for California Charter Leader of the Year. "But, growing up, my mom told me: 'If there's food on the table and there are other folks who are hungrier than you, then you need to let them eat because they have a greater need than you do.'"



Other schools took PPP loans

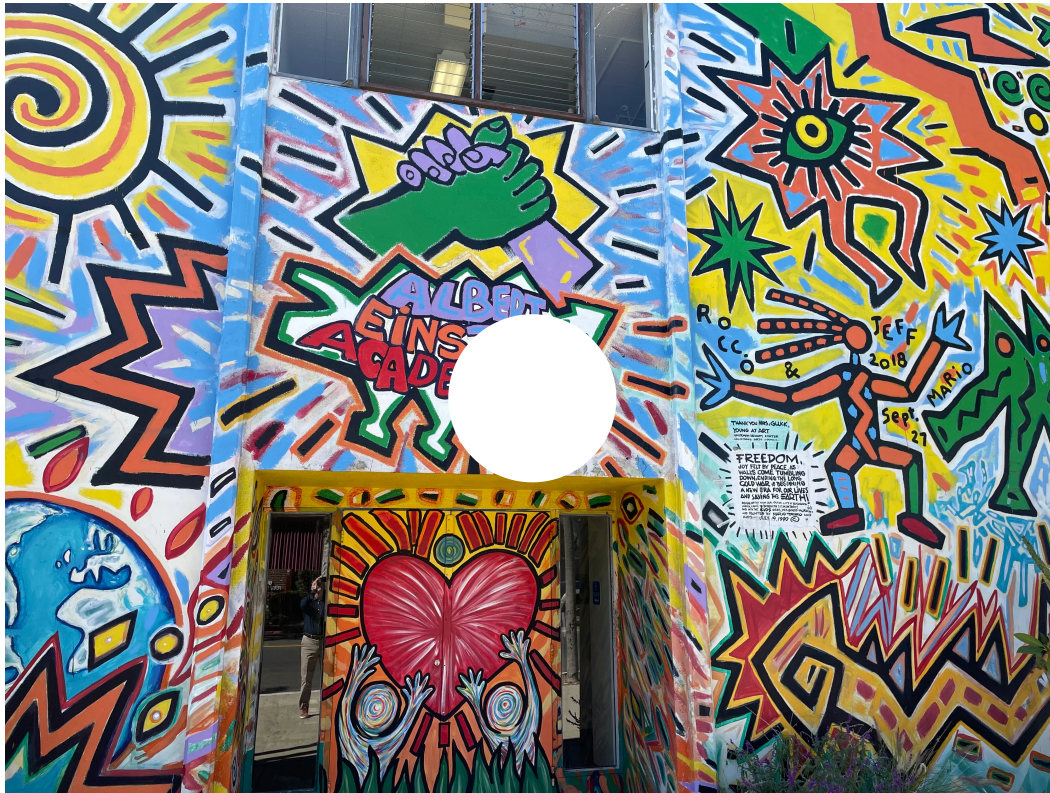
That wasn't the view of at least 268 other California charter operators, who run some of the state's largest and wealthiest publicly funded charter chains.

Those operators had at least \$335 million forgiven, a USA TODAY investigation has found, the most of any state with charter schools. That's about one-third of the \$1 billion in loans obtained by more than 1,100 U.S. charter schools, which educate a fraction of the nation's children and had the loans forgiven — even though most lost no money during the pandemic.

Several of those schools also employed more than 500 workers, the limit to qualify under the program, USA TODAY found.

Kathleen Hermsmeyer, superintendent of Springs Charter Schools in Temecula, said while California didn't cut funding, it also did not increase it for charter schools like hers that specialize in at-home, remote or hybrid learning.

A California charter school declines PPP loan, while wealthier schools accepted money (1:01)



Albert Einstein Academies, a San Diego charter school, declined a large PPP loan for ethical reasons. Other charter schools in the state didn't do the same.

MICHELLE HANKS, USA TODAY

She said her network added 1,000 students during the pandemic and needed its nearly \$9.9 million loan —the largest of any charter operator in the country. The Small Business Administration, which is in charge of the PPP program that ended last May, forgave that loan on Dec. 1.

"It was exactly what PPP was designed for — to help us provide a great quality education for our children through the most difficult years ever," Hermsmeyer said. "We kept our programs and services, and we did not cut salaries."

The federal government promised to forgive the loans if the money was used to keep workers on the job and to pay for pandemic-related issues.

Researchers have found the SBA has forgiven most of the loans for all industries with little auditing done to see if the money was properly used. Meanwhile, up to three-fourths of the

Can charter schools near you look federal PPP money?

Search USA TODAY's database of more than 1,100 charter schools that had Paycheck Protection Program loans totalling more than \$1 billion forgiven.

School	<input type="text"/>
City	<input type="text"/>
State	<input type="text" value="Any"/> ▼
ZIP	<input type="text"/>

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Source: U.S. Small Business Administration
Craig Harris and Doug Caruso | USA TODAY

California, which in 1992 became the second state to allow charter schools, had more than 1,300 of the schools and seven all-charter districts at the beginning of this school year, according to the state's department of education. That's roughly 11.5% of the entire public school student population in California.

The state had six of the top eight forgiven loans for charter schools in America, all in excess of \$5.5 million, records show.

California Congressman Judy Chu has been highly critical of the federal oversight, saying the agency and Treasury Department prioritized speed in getting money to businesses instead of scrutiny over who needed the cash.



Learn4Life gets most PPP loans

The largest block of forgiven loans, a combined \$32.7 million, went to the same address in Lancaster, California, for 12 related nonprofit companies that are part of Learn4Life, a charter

The loans were obtained in April and May 2020, and forgiven throughout last year, federal records show.

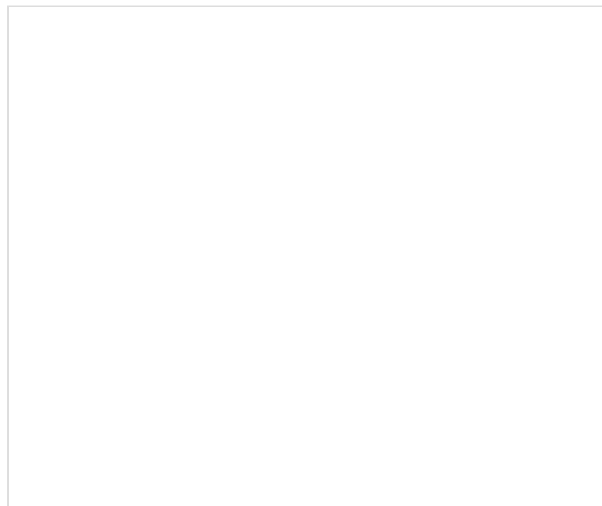
The combined employment would be more than nine times the threshold for obtaining a PPP loan.

Learn4Life spokeswoman Ann Abajian said the organization had 1,685 employees among its companies.

She said the discrepancy occurred because the companies had previously counted seasonal and part-time employees in their staff totals and that information was disclosed to the federal government to have the loans forgiven.

Federal tax returns for the 2019-2020 fiscal year from those 12 nonprofits, which were signed by company executives, showed the higher staffing numbers.

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For example, Learn4Life's Antelope Valley Learning Academy Inc. reported employing 1,302 staff, while Western Educational Corporation and Vista Real Public Charter employed 527 and 668 people, respectively.

"Each entity — as a separate charter nonprofit, with less than 500 employees and its own independent governing board — applied with accuracy and transparency, met the criteria, and was awarded the loans and later forgiven. Proper documentation with supplemental justification and backup was presented to SBA," Abajian said.

addition, the organization said its technology support desk hired more staff.



Eric Cross (middle) teaches seventh-grade science at Einstein Middle School in San Diego. The school was eligible for a federal Paycheck Protection Program loan, but school officials turned it down because the state of California did not cut any funding to public schools.

CRAIG HARRIS

Other businesses, such as Shake Shack, also counted separate locations to qualify for a PPP loan. That publicly traded company with more than 7,000 employees and 205 restaurants in the U.S., was one of the first to get a PPP loan. However, Shake Shack returned its \$10 million loan following public scrutiny.

In Arizona, prominent, successful chains Basis Charter Schools Inc. and Great Hearts Academies said they didn't seek the loans even though their individual campuses employed fewer than 500 workers. Basis and Great Heart officials said they read the SBA rules as requiring all employees within an organization to be counted and both were too big.

(\$7.9 million), Summit Public Schools in Redwood City (\$6.9 million), Western Educational Corporation in Lancaster (\$6.2 million) and Magnolia Educational & Research Foundation in Los Angeles (\$5.5 million).



Critics say charters misused PPP money

The National Alliance for Public Charter Schools, which had its \$680,182 loan forgiven, said its members were eligible to receive PPP loans because "Congress understood the special nature of these unique public schools."

But In The Public Interest, a watchdog group that researches how tax dollars are used, said California charter schools that obtained forgiven loans were "double-dipping" because all public schools saw no decrease in state funding during the pandemic, though Hermsmeyer of Springs Charter Schools said it was not enough.

Clare Crawford, a senior public policy advisor for In The Public Interest who scoured transcripts and audio and video recordings of charter school board meetings, said she has found several meetings during which members would say "this is essentially free money."

Crawford said she also found charter board members saying that even if they had to pay back the loans, the interest rate was only 1%, and they could use the money to bolster their reserves.

"This was intended for small businesses," Crawford said. "What we found in California was they were absolutely held harmless with (public) funding with the express intent that they could keep employees on and schools would stay open."



Albert Einstein Middle School in San Diego is part of a two-school charter chain that serves inner-city students. School leaders turned down up to \$3 million from the federal Paycheck Protection Program, saying it was unethical to take the money when the state of California did not cut school funding.

CRAIG HARRIS

Sciarretta, the San Diego charter school executive, agreed.

"You hope that everyone makes decisions on the best way to serve students and their families," he said. "But if those monies were used for some other reason then that is not what PPP was intended for."

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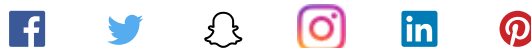
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