



INFORMATION REQUEST: CARES ACT FUNDING AND CHARTER SCHOOLS

The information below is presented in response to the following request for information:

What, if any, CARES Act funds are charter schools receiving?

RELEVANT POLICIES AND PROCEDURES

- H.R. 748, Coronavirus Aid, Relief, and Economic Security (CARES) Act
- Wisconsin Statutes, Section 118.40

SCOPE AND METHODS

The scope of this review was limited to the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Although charter schools may benefit from other COVID-19 relief efforts, such as tax credits or other forms of aid, this review focused solely on benefits under the CARES Act.

The following methods were used:

- Review of relevant policies
- Review of relevant policy briefs including those disseminated to charter schools and charter school authorizers
- Review of the Wisconsin Department of Public Instruction Local Education Agency CARES allocation data
- Review of Small Business Administration Paycheck Protection Program recipient data

EXECUTIVE SUMMARY

In response to the COVID-19 pandemic, the U.S. Congress passed various pieces of legislation to provide relief for individuals and entities impacted by COVID-19 including the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Charter schools may be eligible to receive CARES Act funding in the following ways:

- directly from the Wisconsin Department of Public Instruction if they are also a Local Education Agency (LEA);
- from their LEA if they are not their own LEA;
- from the Governor's allocation of CARES Act emergency education funding; and/or
- by applying for Small Business Administration loans under the Paycheck Protection Program (if an independent entity).

Additional research is necessary to understand the full impact of CARES Act funding on charter schools and any related obligations Milwaukee Public Schools must fulfill as a LEA and as a charter school authorizer.

BACKGROUND

In response to the COVID-19 pandemic, the U.S. Congress passed various pieces of legislation to provide relief for individuals and entities impacted by COVID-19. Most significant is the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted on March 27, 2020.

The CARES Act included more than \$30 billion dollars for an Education Stabilization Fund to prevent, prepare for, and respond to COVID-19. This funding directly impacts K-12 education through the following two funds: the Elementary and Secondary School Relief (ESSER) fund and the Governor's Emergency Education Relief (GEER) fund. More specifically, the ESSER fund is allocated to Local Education Agencies (LEAs) by the states. The GEER fund is used by governors to carry out emergency educational services.

In addition to the Education Stabilization Fund, the CARES Act provides for additional relief that, while not aimed specifically at supporting K-12 education, may benefit education providers. This includes the Paycheck Protection Program (PPP) implemented by the Small Business Administration (SBA).

SUMMARY OF REVIEW

Charter schools may receive CARES Act funding provided by states to LEAs for COVID-19 related costs.

The Wisconsin Department of Public Instruction (DPI) has awarded more than \$158 million in ESSER funds to LEAs through grants. MPS has an allocation of \$55,995,150. As such, all schools for which MPS is the LEA, including non-public schools and all MPS-authorized charter schools, may benefit from this funding.

Additionally, non-MPS charter schools that are their own LEAs (2r charters) also have allocations under this provision of the CARES Act. For example, Bruce Guadalupe School, which is authorized by the University of Wisconsin - Milwaukee and thus is its own LEA, has an allocation of \$549,164.

Charter schools may receive CARES Act funding allocated by the governor for emergency educational services.

In June 2020, Governor Evers allocated \$46.6 million in GEER funding to K-12 schools. Per the Governor's release, priority will be given to students and districts that have the highest remote learning needs and to those that have been the most significantly affected by the pandemic.

As DPI has not yet provided information about the funding process for K-12 schools under this provision, it is not yet clear how this funding will be allocated to schools and how charter schools may benefit.

Charter schools may receive CARES Act funding through the Paycheck Protection Program.

Chartering entities that are independent organizations with fewer than 500 employees, including MPS non-instrumentality charter schools, may be eligible for Small Business Administration loans under the Paycheck Protection Program (PPP). The PPP provides businesses with funds to use for payroll costs including benefits, interest on mortgages, rent, and utilities.

The Office of Accountability and Efficiency reviewed data released by the Small Business Administration regarding entities receiving greater than \$150,000 under the Paycheck Protection Program (entities receiving less than \$150,000 are reported in aggregate by the SBA and entity names are not available). This review revealed that all 10 entities with which MPS authorizes non-instrumentality charter school contracts have been approved for PPP loans greater than \$150,000.

Entity	PPP Amount
Carmen High School of Science and Technology, Inc	\$2-5M
Highland Community School, Inc.	\$350K-1M
Hmong American Peace Academy Ltd	\$1-2M
Kathryn T Daniels University, Inc.	\$150K-350K
La Causa, Inc.	\$2-5M
M.C. Preparatory School of Wisconsin, Inc.	\$2-5M
Milwaukee Excellence, Inc	\$150K-350K
Milwaukee Teacher Education Center	\$350K-1M
Next Door Foundation, Inc.	\$2-5M
Seeds of Health, Inc*	\$1-2M

*The charter school contract between MPS and Seeds of Health, Inc. for MC2 ended on June 30, 2020.

It is important to note that some of the above-mentioned entities operate programs in addition to the charter school that they operate under MPS contract. As such, it is not possible to know if CARES Act funds received through the PPP will be used for the charter school or for other unrelated organizational purposes.

NEXT STEPS

Additional research is necessary to understand the full impact of recent COVID-related relief funding on charter schools and any related obligations the district must fulfill as a LEA and as a charter school authorizer.

More specifically, the following questions may be considered:

- How will funding impact MPS charter school budgets? What amendments or budget deviations have been reported as a result of relief funding?
- Did MPS charter schools who received PPP loans anticipate a revenue shortfall or deficit of operation? What contingency plans have schools submitted to address these shortfalls?
- What plans have MPS charter schools submitted to incur long-term debt? What funds will be used to repay the debt and what is the schedule of interest incurred from debt that is chargeable to funds received under the MPS charter school contract?
- How will MPS charter schools segregate the accounting and reporting of revenue and expenditures?
- What plans do MPS charter schools have to repay PPP loans if they are not forgiven?
- What obligations does MPS have as a charter school authorizer to monitor CARES Act funding received by MPS charter schools?
- What, if any, equity issues may arise from the allocation of CARES Act funding? How will these issues be addressed?

APPENDIX: MILWAUKEE CHARTER SCHOOLS CARES ACT FUNDING

The following table provides CARES Act funding information for non-instrumentality and independent charter schools operating in Milwaukee.

- Charter schools authorized by Milwaukee Public Schools are not eligible for a CARES Act LEA allocation from DPI. Rather, this money is provided to MPS as the LEA for distribution.
- Schools without a CARES PPP allocation may not have applied for the PPP, may not have been approved for the PPP, may have received less than \$150,000 in PPP loans, or may still have a PPP application processing.
- Many entities operate programs in addition to the below listed charter schools. As such, it is not possible to know if CARES Act funds received through the PPP will be used for charter school operations or for other unrelated organizational purposes.

Entity Name	School(s) Operated by Entity	Authorizer	CARES LEA Allocation	CARES PPP Amount
Carmen High School of Science and Technology, Inc.	Carmen HS of Science and Technology South	MPS	N/A	\$2-5M
	Carmen HS of Science and Technology Southeast			
	Carmen MS/HS of Science and Technology Northwest			
	Carmen MS of Science and Technology South			
	Stellar Collegiate	UWM	\$56,619	
Central City Cyberschool of Milwaukee	Central City Cyberschool	City of Milwaukee	\$222,933	\$150-350K
Darrell Lynn Hines Academy	Darrell Lynn Hines Academy	City of Milwaukee	\$150,357	\$150-350K
Downtown Montessori Academy, Inc.	Downtown Montessori	City of Milwaukee	\$40,000	\$150-350K
Dr. Howard Fuller Collegiate Academy, Inc.	Dr. Howard Fuller Collegiate Academy	City of Milwaukee	\$169,124	\$350K-1M
Highland Community School, Inc.	Highland Community School	MPS	N/A	\$350K-1M
Hmong American Peace Academy Ltd	Hmong American Peace Academy (HAPA)	MPS	N/A	\$1-2M
Kathryn T Daniels University, Inc.	KT Daniels University Preparatory Academy	MPS	N/A	\$150-350K
La Casa de Esperanza, Inc.	La Casa de Esperanza	UWM	\$40,000	
La Causa, Inc.	La Causa Charter School	MPS	N/A	\$2-5M

Entity Name	School(s) Operated by Entity	Authorizer	CARES LEA Allocation	CARES PPP Amount
M.C. Preparatory School of Wisconsin, Inc.	MCP 36 th St. Campus	MPS	N/A	\$2-5M
	MCP 38 th St. Campus			
	MCP Lloyd St. Campus			
	MCP Lola-Rowe Campus			
Milwaukee Excellence, Inc.	Milwaukee Excellence Charter School	MPS	N/A	\$150-350K
Milwaukee Math & Science Academy	Milwaukee Math & Science Academy	City of Milwaukee	\$186,042	\$150-350K
Milwaukee Scholars Charter School, Inc.	Milwaukee Scholars Charter School	UWM	\$339,262	
Milwaukee Science Education Consortium, Inc.	Milwaukee Academy of Science	City of Milwaukee	\$564,350	
Milwaukee Teacher Education Center	Milwaukee Environmental Sciences Academy (MESA)	MPS	N/A	\$350K-1M
Next Door Foundation, Inc.	Next Door Charter School	MPS	N/A	\$2-5M
Pathways High, Inc.	Pathways High	UWM	\$40,000	\$150-350K
Penfield Montessori Academy, Inc.	Penfield Montessori Academy	UWM	\$40,000	\$150-350K
Rocketship Education Wisconsin Inc.	Rocketship Southside	UWM	\$242,199	
	Rocketship Transformation			
Seeds of Health, Inc.	MC2*	MPS	N/A	\$1-2M
	Seeds of Health Elementary	UWM	\$509,259	
	Tenor High School			
	Veritas High School			
TransCenter for Youth, Inc.	Escuela Verde	City of Milwaukee	\$54,790	\$350K-1M
United Community Center	Bruce Guadalupe Community School	UWM	\$549,164	\$2-5M
United Community Center	UCC Acosta Middle School	UWM	\$57,369	\$2-5M
Woodlands School, Inc.	Woodlands School - State Street Campus	UWM	\$79,993	
	Woodlands School - Bluemound Campus		\$40,000	

*The charter school contract between MPS and Seeds of Health, Inc. for MC2 ended on June 30, 2020.