

# Academica's Florida Real Estate Operations

**On May 6th, 2016**, In the Public Interest submitted a letter asking the California Board of Education to affirm the decision of two district school boards and one county board of education to reject a charter application by the International Language Studies Academy (ISLA). In the letter, In the Public Interest drew attention to the various scandals involving ISLA's for-profit management company, Academica, which has been under federal investigation for alleged violations of conflict-of-interest laws<sup>1</sup> and has amassed a charter school real estate empire in Florida.<sup>2</sup>

That letter included the results of an analysis of Academica's role as a landlord to charter schools that it managed. During the 2012-2013 school year, Academica managed at least 92 charter schools in Florida.<sup>3</sup> In addition to providing management services, the company also leased facilities to 31 of the schools through affiliated LLCs.<sup>4</sup> Using data from audited financial statements, In the Public Interest calculated the percentage of annual rent paid by an Academica-managed school as a share of its total expenses.<sup>5</sup> An internal comparison revealed that the average of rent as a share of expenses for schools leasing from Academica was much higher than that of those schools Academic managed but which leased from a non-Academica entity: **17.7% versus 11.5%**.

## ACADEMICA MANAGED SCHOOLS

Lessor	Avg. Rent as % of Total Expense	Avg. Rent Cost per Student
Academica	17.7%	\$1,214
Other	11.5%	\$816

Academica's ownership of real estate used for the schools that the company has also been hired to operate has come under scrutiny. An in-depth *Miami Herald* investigation called "Cashing in on Kids" revealed that Academica CEO Fernando Zulueta and his brother, Ignacio, control more than \$115 million in South Florida real estate—all exempt from property taxes as public schools—which has allowed the company to serve as both landlords and renters of Academica-operated schools. The *Miami Herald* reported that in 2010, the brothers' companies collected about \$19 million in lease payments from charter schools—with nine schools paying rents exceeding 20 percent of their revenue.<sup>6</sup>

In the Public Interest confirmed that when Academica rents schools from their related entities taxpayers pay a much higher rent than when they rent from other non-related entities. With lax oversight, Academica has been able to avoid accountability of their financial practices.

## DADE COUNTY CHARTER SCHOOLS

One illustrative example is Academica's real estate practices in Dade County, the company's largest market in Florida. In the 2012-2013 school year, the company managed 57<sup>7</sup> of the county's 108 charter schools,<sup>8</sup> and rented property to 24.<sup>9</sup> A comparison of annual rent as a share of expenses for all Dade County charter schools found similar results: the average for Academica-managed schools renting facilities from Academica was 16.9%, while the average for charter schools not renting from Academica was 12.2%.<sup>7</sup>

Lessor	Avg. Rent as % of Total Expense	Avg. Rent Cost per Student
Academica	16.9%	\$1,169
Other	12.2%	\$908

By charging higher rent than most charter school landlords, Academica is pocketing a larger share of the public funding its schools receive. In Dade County, the difference between Academica collecting 16.9% rather than 12.2% of expenses from tenant schools is over \$4.1 million. This inflated cost allowed Academica to collect rental income in Dade County of \$14,810,117, an increase of almost 40% over the \$10,662,542 it would have collected by charging 12.2% of expenses. Moreover, that is **\$4.1 million not going towards educating the 12,668 students** who attend these schools; **the loss per pupil is \$327.**

## THE NEED FOR ADDITIONAL OVERSIGHT

The fact that charter management organizations can use real estate companies to capture additional streams of public dollars demonstrates the need for additional regulatory oversight of charter school operations.

Related party transactions such as those employed by Academica merit scrutiny beyond simply noting such transactions in audited financial statements released long after the contracts have been signed. Property leases between charter schools and private companies should be submitted to a public oversight board prior to their enactment in order to ensure that no questionable self-dealing is taking place and that public revenues allotted for education are being well-spent for that purpose.

## Notes

- 1 Kathleen McGrory, "South Miami-based charter school management company under federal scrutiny," Miami Herald, April 20, 2014, <http://www.miamiherald.com/news/local/community/miami-dade/article1963142.html>.
- 2 Kathleen McGrory and Scott Hiaasen, "Academica: Florida's richest charter school management firm," Miami Herald, December 13, 2011, <http://www.miamiherald.com/news/special-reports/cashing-in-on-kids/article1939207.html>.
- 3 In the Public Interest verified the number of Academica-managed schools with four data sources: Academica's website: <http://www.academica.org/>; charter school audits contained on the Florida's Auditor General's website: [http://www.myflorida.com/audgen/pages/chschools\\_efile%20a-h.htm](http://www.myflorida.com/audgen/pages/chschools_efile%20a-h.htm); Gary Miron and Charisse Gulosinom, National Education Policy Center "Profiles of For-Profit and Nonprofit Education Management Organizations: Fourteenth Edition – 2011-2012, November 26, 2013; and FL DoE Master School ID database: <http://doeweb-prd.doe.state.fl.us/EDS/MasterSchoolID/>.
- 4 In the Public Interest used three sources to determine the number of Academica-leased facilities: charter school audits contained on the Florida's Auditor General's website: [http://www.myflorida.com/audgen/pages/chschools\\_efile%20a-h.htm](http://www.myflorida.com/audgen/pages/chschools_efile%20a-h.htm); County-level property records: Dade County Property Appraiser: [http://www.miamidade.gov/pa/property\\_search.asp](http://www.miamidade.gov/pa/property_search.asp), Duval County Property Appraiser: [http://apps.coj.net/PAO\\_PropertySearch/Basic/Search.aspx](http://apps.coj.net/PAO_PropertySearch/Basic/Search.aspx), Monroe County Property Appraiser: <http://qpublic.net/fl/monroe/index.html>, Orange County Property Appraiser: <http://www.ocpafl.org/>, Palm Beach County Property Appraiser: <http://www.co.palm-beach.fl.us/papa/>, Pinellas County Property Appraiser: <http://www.pcpao.org/>, St. Lucie County Property Appraiser: <https://www.paslc.org/main/index.html#/>; and the Florida Department of State's Corporate Division website: <http://www.sunbiz.org/search.html>, to verify LLC connections to Academica Corp.
- 5 In the Public Interest used data from audited financial statements obtained from the Florida's Auditor General's website to perform this analysis: [http://www.myflorida.com/audgen/pages/chschools\\_efile%20a-h.htm](http://www.myflorida.com/audgen/pages/chschools_efile%20a-h.htm).
- 6 Kathleen McGrory and Scott Hiaasen, "Academica: Florida's richest charter school management firm," Miami Herald, December 13, 2011, [miamiherald.com/news/special-reports/cashing-in-on-kids/article1939207.html](http://www.miamiherald.com/news/special-reports/cashing-in-on-kids/article1939207.html).
- 7 In the Public Interest verified the number of Academica-managed schools located in Dade County with four data sources: Academica's website: [academica.org/](http://www.academica.org/); charter school audits contained on the Florida's Auditor General's website: [myflorida.com/audgen/pages/chschools\\_efile%20a-h.htm](http://www.myflorida.com/audgen/pages/chschools_efile%20a-h.htm); Gary Miron and Charisse Gulosinom, National Education Policy Center "Profiles of For-Profit and Nonprofit Education Management Organizations: Fourteenth Edition – 2011-2012, November 26, 2013; and FL DoE Master School ID database: [doeweb-prd.doe.state.fl.us/EDS/MasterSchoolID/](http://doeweb-prd.doe.state.fl.us/EDS/MasterSchoolID/).
- 8 Number of Dade County charter schools derived from data contained in FL DoE 2013 School Grades spreadsheet.
- 9 In the Public Interest used three sources to determine the number of Academica-leased facilities: charter school audits contained on the Florida's Auditor General's website: [http://www.myflorida.com/audgen/pages/chschools\\_efile%20a-h.htm](http://www.myflorida.com/audgen/pages/chschools_efile%20a-h.htm); Dade County Property Appraiser: [http://www.miamidade.gov/pa/property\\_search.asp](http://www.miamidade.gov/pa/property_search.asp); and the Florida Department of State's Corporate Division website: <http://www.sunbiz.org/search.html>, to verify LLC connections to Academic Corp.
- 10 In the Public Interest used data from audited financial statements obtained from the Florida Auditor General's website to perform this analysis: [http://www.myflorida.com/audgen/pages/chschools\\_efile%20a-h.htm](http://www.myflorida.com/audgen/pages/chschools_efile%20a-h.htm).