

Chicago International Charter Schools (CICS) Funding Facts

CPS Charters saw more funding since 2017:

Prior to 2017, district schools and charter schools were funded equally – although inadequately – through Student Based Budgeting (SBB). Charters received not only a per pupil amount called SBB tuition, which all district schools received, but also several other funding streams that district schools did not receive directly in their budgets.¹

With the 2017 change in state school funding law, charter funding was changed to a tight range around the Per Capita Tuition Charge (PCTC) calculation by ISBE (within range of 97% to 103%). PCTC includes a broad category of spending that does not go directly to service schools. In fact, there is no district-run school that gets funded according to PCTC. The additional funding charters received under PCTC amounted to \$37 million in 2017. Across charters, this averages out to a \$688 increase per pupil over district funding levels, an 8% increase over what district schools get under SBB.²

More funding went to charter management:

The change to charter funding in the fall of 2017 meant more revenue flowing to CPS charters. That funding was a boon for charter management organizations, but did not make its way to the classrooms. The Chicago International Charter Schools received an influx of additional revenues, with funding from CPS increasing from \$82 million in 2017 to \$93 million in 2018, a 13% increase. Yet across CICS, spending on program services increased a paltry 3% in that same period, while spending for management increased by 31%.³

CICS structure and fees:

CICS manages their campuses through management subsidiaries created and owned by CICS, as well as through external CMOs that CICS contracts with. The four unionized campuses (Chicago Quest, Northtown, Ellison, and Wrightwood) are managed under two layers of management, through three management entities (Civitas Education Partners, Civitas Schools, and Quest Management) incorporated as LLCs but owned by CICS. CICS takes the position that they are not the employer for any of the staff working in their schools. The subsidiary structure also shields CICS from liability, as each of their CMOs are required to take out their own liability insurance.⁴

Each layer of CICS takes a management cut so that by the time public funding makes its way to the classroom, over 30% has been cut. CICS takes as much as 18% of per pupil revenue, and the CMOs take up to 12%. Additionally, CPS charges a management and oversight fee of 3%.

Both CICS and the CMOs that run their schools dramatically increased their management fees over the last several years. The 2018 audit of CICS finances shows that the CICS fee increased by 25% across the four CTU campuses. The fee going to Civitas Education Partners, the CMO running the schools increased by 17%. The 2019 budgets that CEP provided in bargaining shows total management fees increasing again by 17%. Over two years, the total management fees have increased by nearly \$2 million, a 42% increase as shown in the table below.

¹ <http://cps.edu/FY18Budget/documents/AppendixB.pdf>

² http://www.cpsboe.org/content/documents/fy18_amended_budget_presentation_10.10.17.pdf

³ CICS 2018 Consolidated Financial Statements: <https://emma.msrb.org/ER1192730-ER933295-ER1334253.pdf#page=8>

⁴ CMO contracts with CICS

CICS: Civitas Education Partners Schools

Source Notes:
Consolidated Statements, pg 36-37, "operating and management fees"
Consolidated Statements, pg 34-35, "operating and management fees"

CMO fee

2019 CEP Budget

Year	Northtown	Wrightwood	Ellison	Quest	Total	Annual increase	%
2017	\$766,077	\$555,665	\$351,849	\$166,937	\$1,840,528		
2018	\$902,548	\$709,017	\$393,993	\$152,471	\$2,158,029	\$317,501	17%
2019	\$1,075,223	\$849,952	\$415,612	\$183,679	\$2,524,466	\$366,437	17%
Total 2-Year Increase						\$683,938	37%

Consolidated Statements, pg 60, "total withheld"
Consolidated Statements, pg 59, "total withheld"

CICS fee

2019 CEP Budget

Year	Northtown	Wrightwood	Ellison	Quest	Total	Annual increase	%
2017	\$1,171,097	\$941,954	\$558,189	\$71,804	\$2,743,044		
2018	\$1,440,301	\$1,185,176	\$636,174	\$155,539	\$3,417,190	\$674,146	25%
2019	\$1,632,387	\$1,325,255	\$609,478	\$413,758	\$3,980,878	\$563,688	16%
Total 2-Year Increase						\$1,237,834	45%

Total Fees

Year	Northtown	Wrightwood	Ellison	Quest	Total	Annual increase	%
2017	\$1,937,174	\$1,497,619	\$910,038	\$238,741	\$4,583,572		
2018	\$2,342,849	\$1,894,193	\$1,030,167	\$308,010	\$5,575,219	\$991,647	22%
2019	\$2,707,610	\$2,175,207	\$1,025,090	\$597,437	\$6,505,344	\$930,125	17%
Total 2-Year Increase						\$1,921,772	42%

CICS and CMO management:

The increase in fees at CICS schools has bankrolled a rapidly growing duplicate management structure. The position files for CICS central office show that the number of six-figure staff increased from 4 to 14 from 2017 to 2019. These positions are in addition to the management structures and multiple six-figure salary positions that already exist at the CMO level. Some of the positions that exist at the CICS-level of management are: Director of Network Policy, Director of Strategic Initiatives, Chief of Innovation, Chief of Network Services, Director of Development, Chief of Strategy & Portfolio, 2 Chiefs of Staff, as well as other positions for managing finances, student recruitment, communications, facilities, community engagement, and a CEO. Additionally – CICS created six-figure positions called “Educator Entrepreneurs in Residence” that pilot additional school management structures within CICS.

CICS Cash & Conflicts of Interest

CICS Surplus Cash Accounts

As revenues increased, not only did CICS management grow, so did their cash accounts.

CHICAGO CHARTER SCHOOL FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30.	2018	2017
ASSETS		
Current assets:		
Cash	16,753,236	9,757,841
Accounts and contributions receivable	4,138,416	6,249,898
Amounts due from management companies	1,504,173	1,298,771
Prepaid expenses	769,238	758,328
Investments	19,812,774	19,378,465
Deposits	51,171	56,126
Total current assets	43,029,008	37,499,429
Non-current assets:		
Cash and investments - restricted by bond indenture	15,551,461	5,097,899
Property and equipment, net	44,896,443	45,319,009
Total non-current assets	60,447,904	50,416,908
Total assets	\$ 103,476,912	\$ 87,916,337

According to the 2018 audit of CICS finances, CICS has a total of \$36.5 million in unrestricted cash and cash equivalents - an increase from \$29.1 million in 2017 during the year of the charter funding increase. \$19.8 million of that is listed as held in investments.

In addition to the \$36.5 million, CICS has another \$15.5 million in restricted cash to cover cash flow needs and debt requirements.

Craig Henderson & C.W. Henderson & Associates

At a November 2017 CICS Board meeting, it was revealed that CICS held \$19 million of its cash with an investment management firm "C.W. Henderson & Associates" owned by a CICS co-founder, former CICS Board President and Board Treasurer, Craig Henderson.⁵

Craig Henderson was a member of the CICS Board from its founding in 1997 through sometime in 2015 or 2016. Federal filings of CICS indicate that the non-profit has had millions in investments going back to 2008, though it is not yet known when the investment with Henderson's firm began. His firm specializes in offering investment products that "provide income that is exempt from federal taxation." As a tax exempt 501(c)3 non-profit - CICS does not gain the tax benefit of municipal bond investments, which makes the decision to invest with Henderson all the more curious. The contract with Henderson's firm outlines a fee schedule for investment management services.⁶ Based on an information request to CICS, the contract was completed without an RFP process.

These findings suggest self-dealing and conflicts of interest at the highest levels of a nonprofit organization operating charter schools across 14 school sites in Chicago. A letter of complaint was submitted to the Illinois Attorney General to further investigate these dealings.⁷

⁵ www.chicagointl.org/images/downloads/board_minutes/CICS_Board%20Meeting%20Minutes_11.14.2017_APPROVED.pdf

⁶ <https://www.ctulocal1.org/wp-content/uploads/2019/02/CW-Henderson-Agreement-1.pdf>

⁷ <https://www.ctulocal1.org/wp-content/uploads/2019/02/AG-letter.pdf>