

As Trump pushes privatization and charter expansion

How Wall Street cashes in on charter schools

Marc Wells, Nancy Hanover

2 June 2025

The American public school system is under siege. In just four months of his second term, Donald Trump has dealt devastating blows to an already underfunded system. He has vowed to close the Department of Education and cut \$12 billion from education, while eliminating jobs and terminating essential educational programs.

As part of this drive to privatize public education, Donald Trump and the Republican Party are promoting a comprehensive plan to expand charter schools. Central to this initiative is a \$60 million increase to the federal Charter Schools Program (CSP) budget for fiscal year 2025, which raises its total funding to \$500 million. This is the only K-12 program to be granted increased funding under the President's proposed budget.

The CSP program, established in 1994 under Democratic President Bill Clinton, is the primary federal mechanism to fund charter schools. The grants amount to lavish handouts to businesses seeking to launch new charter schools; it has provided tax dollars to start nearly half of existing charter schools. For example, in 2010 under Democratic President Obama, the program awarded \$138 million to 12 recipients. In addition to increasing the CSP's federal financing, Trump supports expanding eligibility to allow for-profit Charter Management Organizations to be directly eligible for these grants.

Charter schools are publicly funded but privately operated entities. As taxpayer-funded schools, they are legally required to be nonprofit; however, many have engineered a bypass by hiring Education Management Organizations (EMOs) to run operations. These EMOs are often for-profit entities with significant overlap in ownership with the charter itself. Even if the EMO is itself non-profit, they are free to pay their CEO and top administrators handsomely. The Trump change would further encourage unabashed profiteering and eliminate the "bureaucratic" paperwork to conceal the beneficiaries.

An additional measure, the Republican-proposed "High-Quality Charter Schools Act," now introduced in both the House and Senate, would create a \$5 billion tax credit scheme that supporters claim could triple charter enrollment nationally, increasing it from 6 percent to 18 percent of public school students. This scheme allows donors to support the creation and expansion of charters by receiving up to 75 percent of their "donation" as a tax write-off.

Trump has also issued guidance encouraging states to use up to three percent of Title I funding, intended to support low-income students, to promote school choice. The GOP platform also called for expanding "529 accounts" for allow private and home-schooling to qualify for the special tax breaks.

How do charter schools turn non-profits to profitable?

Charter schools have become a key mechanism for corporate interests to

plunder the resources of public schools.

Academica, a prominent for-profit private education company headquartered in Miami, Florida, exemplifies this. While Academica itself operates as a for-profit entity, the over 200 charter schools it serves across the United States are legally owned by nonprofit entities, each governed by volunteer boards. Academica manages the "back office" processes for these schools—strategic board support, human resources, budgeting, and accounting—creating a funnel for public money to flow into private hands.

At the core of Academica's profit-extraction strategy is its connection to real estate. The company's owners have significant tax-exempt real estate assets that support the charter schools they oversee. By 2010, Fernando Zulueta, CEO of Academica, and his brother Ignacio managed over \$115 million in Florida tax-exempt real estate, earning approximately \$19 million annually in lease payments from the schools. Audits by the U.S. Department of Education's Office of the Inspector General uncovered extensive "related party transactions" between Academica and its associated real estate firms, leasing school buildings and providing security services.

These leases often come at inflated rates. For the 2012-2013 school year, Academica-managed schools that paid rent to Academica-owned properties spent an average of 17.7 percent of total expenses on rent (\$1,214 per student), which is significantly higher than the 11.5 percent (\$816 per student) paid to unrelated landlords. In Dade County alone, this overpayment totaled more than \$4.1 million annually—funds that were diverted from classroom instruction.

Compounding this, Academica and other Education Management Organizations (EMOs) utilize "sweeps contracts," in which virtually all revenue, public and private, is funneled to the for-profit management company. This company then directly provides services or contracts them out to related firms, embedding profit within administrative expenses under the pretense of necessary expenditures.

Academica's revenue in 2011 reached \$158 million, and by the 2023-24 period, the company received \$12 million from Nevada taxpayers alone. Federal and state investigations have scrutinized its operations, uncovering conflicts of interest, including multi-million dollar contracts awarded to contractors on school boards and documented political connections.

The Academica model illustrates a structural loophole: while charter schools are required to operate as non-profits under the law, their contractual relationships with for-profit management companies (often controlled by the same individuals) enable the extraction of massive private profits. This "non-profit facade" facilitates a sophisticated legal shell game that undermines accountability and diverts public funds from education.

Academica is not an anomaly; its strategies reflect common practices throughout the charter school sector. Real estate investors with direct connections to charter management companies often acquire properties at low prices and then lease them at inflated rates to charter schools—often

exceeding 20 percent of school budgets—extracting substantial profits from taxpayer funds. The public frequently pays twice: first for school construction or acquisition, and again through inflated lease payments. In some instances, properties are sold to schools at inflated prices after mortgages are settled, further benefiting private owners.

Cashing in: a bipartisan policy

Government incentives worsen this exploitation. Programs like the New Markets Tax Credits (NMTCs), introduced under the former Democratic President Bill Clinton, subsidize private investors to develop school facilities. Meanwhile, tax-exempt charter municipal bonds have raised at least \$15.5 billion from 1998 to 2017. Although risky due to potential school failures, these bonds are often insured with public funds, shifting risk to taxpayers.

“Sweeps contracts” remain common, ensuring that public funds are captured by management companies and their related entities. Across the board, a lack of transparency and accountability is the norm. For-profit companies often refuse to open their books to state oversight, and many states exempt charter schools from standard public accountability laws. This regulatory gap fuels rampant waste, fraud, and abuse, as public funds are managed without adequate scrutiny.

Academia’s operations are mirrored by other corporate predators. National Heritage Academies (NHA), for instance, has sold over two-thirds of its schools to its own real estate arm for nearly \$1 billion, converting public investment into private wealth. NHA is owned by J.C. Huizenga, co-owner with his cousin of Waste Management, a \$64 billion corporation.

Red Hook Capital Partners acquires cheap property, leases it at exorbitant rates, and reaps massive returns via tax credits and bond issues. These entities utilize opaque financial instruments, such as municipal bonds, tax shelters, and shell companies, to shield their operations from oversight while extracting wealth from the education system.

The Democratic Party played a central role in facilitating these scams. In the early 1990s, leading Democratic lawmakers in Congress and state legislatures helped introduce and pass the first charter school laws as a supposedly progressive alternative to private school vouchers. At the time, Senators Ted Kennedy and Joe Lieberman, along with others, supported charter school amendments in federal education bills, framing them as innovative public options distinct from privatization efforts.

At the state level, Democratic legislators in places like California and Minnesota authored and championed the first charter school laws, often as a “third way” to reform public education without diverting funds to private schools. These laws allowed nonprofit charter schools to contract with private management organizations, opening the door for arrangements where public funds could flow into private hands.

While Clinton advocated federal funding for charter schools, it was Barack Obama who became the most aggressive advocate for charter expansion. Under the guise of “education reform,” his administration used the Race to the Top initiative to blackmail cash-strapped states during the Great Recession. Districts or schools were forced to compete for funding, and those that did not support “school choice” risked being labeled as “failing” and defunded.

Obama’s Secretary of Education Arne Duncan openly declared schools should be run like investment portfolios. Obama’s Race to the Top initiative, with its \$4.35 billion in federal grant money, forced states to compete by adopting charter-friendly legislation, tying teacher evaluations to student test scores, and expanding school choice measures.

The collusion of the unions in the privatization of education

The response of the American Federation of Teachers (AFT) to privatization in the form of charters was no surprise, as they are tied hand and foot to the Democratic Party and the profit system. Both the AFT and the National Education Association (NEA) embraced Duncan’s pro-business policy, with the caveat that the government “work with” educators to implement school reform. AFT President Randi Weingarten gave the green light to this broadside against public education, saying, “When it comes to making the changes that will make our schools better, do it with us—not to us,” printing up thousands of buttons to that effect.

The rotten deal was clear: in return for the AFT’s blessing on the proliferation of charter schools, the union would be allowed to “organize,” e.g., collect the dues money of charter school educators. In some areas, the partnership was even closer. For example, the United Teachers of Los Angeles (UTLA) partnered with Green Dot charter schools and promoted these “unionized charters.” A.J. Duffy, a former UTLA president, opened his own charter, Apple Academy Charter Schools, claiming it would be “revolutionary” and “teacher-led.” It closed down five years later. The National Education Association has allocated \$1.5 million to help members start charter schools.

In New Orleans, Hurricane Katrina became the pretext for the mass charterization of the city’s schools and a national model for “education reform.” Immediately after Katrina, the district fired its entire 7,500-person teaching staff. Over 1,200 teachers were to retire, and 1,000 others, unable to find jobs in the changed education landscape, never returned to teaching in the city. The gap was filled by young, barely-trained Teach for America recruits.

Secretary of Education Duncan declared in 2010 that Katrina was “the best thing that happened to the education system in New Orleans. The “success” of the charter school movement in New Orleans has been used to expand charters in cities throughout the United States. Nearly half of Detroit children attend charters—and they are the poorest layer. Seventy percent of Detroit’s charter students are impoverished, compared with 43 percent in traditional public schools.

As both political parties carried out budget cuts on the federal and state levels, services suffered and class sizes grew. Parents looked for better alternatives if they could afford to provide their child independent transportation. Because per-pupil state allocations “follow the child,” this loss of enrollment compounded schools’ economic crises.

In other words, the charter schools divert vital resources from cash-strapped districts, essentially cannibalizing public schools. This is particularly true in urban areas already suffering from years of lower tax revenues. When these public schools closed, charters often replaced them.

Charter school teachers earn about 10-15 percent less than their traditional counterparts, though this varies by location. In Michigan, the pay gap is much larger, with charter school teachers making \$43,000 a year compared to \$63,000 for traditional schools.

Charter schools do not offer the level of services of traditional schools. Many don’t offer lunch, others do not provide transportation. There are less sports or enrichments offered.

Most notoriously, charters fail to meet the needs of special education students and ignore federal mandates for individualized education plans. Traditional public schools maintain comprehensive assessment and evaluation teams including school psychologists, social workers, speech-language pathologists, specialized curriculum resources and transportation systems adapted for mobility impairments, behavioral needs and medical requirements.

Charters actively discourage the enrollment of more expensive special education students because those costs are not part of the business plan. As one educator said, “I’ve seen SPED students’ applications just thrown

in the wastebasket.”

In short, the pro-privatization language of “parental choice” and “innovation” mask theft and social regression—a policy that has been vigorously pursued by both Democrats and Republicans. Each charter school, voucher, or closure is a salvo in this offensive to create a two-tier system: elite institutions for the wealthy, underfunded discipline mills for all others. The fight for high quality public education for all is, today, a revolutionary struggle which requires the expropriation of the oligarchy which is spearheading this attack.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact