

Charter school operators get into the real estate business to increase their profit margin.

In many cases, if not most cases, charter school operators adopt a business plan that maximizes profits on the backs of students. These operators are in the education business not necessarily to educate kids, but to make money, regardless of how their business plan affects education quality. In Ohio, charter school regulations were scaled back via original legislation that permits charter operators to put profits on a higher priority than education.

One of the tricks Ohio charter school operators use to skim funds from the top of state payments is to enter the real estate marketplace. This is how it works. They buy a property and rent it to the charter school they operate. Typically, they charge the charter school they operate an outrageous price. A few years ago, in one case, the rental cost per pupil was in the range of \$4000 per pupil per year; hence a large portion of the annual revenue was used for rental payments with a deficient, bare bones, skeleton of an education program available to students.

In a recent New York case, a judge ruled that NYC should not pay inflated rent of charter schools as reported by Diane Ravitch in the March 29 blog. The facts in this case are different from the Ohio experience, but the same chicanery. Once in a long while, justice is served.

[New York: Judge Rules that NYC Should Not Pay Inflated Rent of Charter School](#)

By **dianeravitch** on March 29, 2025

Back in the first flush of charter schools, when they promised miracles, New York Governor Andrew Cuomo declared that he was the champion of charter schools. They enrolled only about 5% of the state's students, but he was courting their Wall Street backers. He persuaded the state legislature to give charters whatever they wanted. One of their victories was to win a pledge that the public schools would either give them space or pay their rent.

This victory has been costly to the city. One charter chain owns a building, charges itself an exorbitant rent, and the city pays the bill.

Here's a victory for the city, [reported by Michael Elsen-Rooney in Chalkbeat](#):

In a legal dispute between the New York City and state education departments over a [charter school rent reimbursement](#), an Albany Supreme Court judge sided with the city last week.

The fight centered on a state law requiring the city to provide charter schools space or reimburse them for the cost of rent. The city Education Department sued the state over its interpretation of the law after it approved a reimbursement request from Hellenic Classical Charter Schools.

The school rented property on Staten Island then turned over the lease to a group affiliated with the school. That affiliated group then sub-leased the property back to the school at three times its original price, allowing the school to seek more reimbursement from the city. The extra costs were meant to subsidize the construction of a new building for the charter school on the same plot of land, according to court documents.

The city refused to pay the higher rate, which it [later called "artificially inflated."](#) Hellenic appealed to state Education Commissioner Betty Rosa, who ruled in favor of the charter network. Rosa argued that while Hellenic's arrangement was "concerning," asking the city to subsidize new construction was "merely an exaggerated example of the goal of the rental assistance program: the public financing of New York City charter schools."

But in a [decision issued last week](#) in a city lawsuit over Rosa's order, Judge Julian Schreibman disagreed with Rosa's reading of the law, annulling her decision and directing her to reconsider the case. The law

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specifies that the city only has to reimburse charters for “the actual rental cost,” which means it can reject requests that don’t go toward that purpose, Schreiber said.