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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

COMMITTEES
COMMERCE
LOCAL GOVERNMENT
STATE GOVERNMENT
TOURISM & RECREATIONAL DEVELOPMENT

July 16, 2020

The Honorable Eugene A. DePasquale
Office of the Auditor General
613 North Street, Room 229
Harrisburg, PA 17120

Dear Auditor General DePasquale,

The economic consequences of the COVID-19 pandemic have been significant, and especially so for the many struggling small businesses that had to close or limit their operations over the past several months. While not sufficient by themselves, the grant and loan programs provided by the state, federal, and local governments to help small businesses have been a lifeline for many and provided critically important relief.

One of those programs, the Small Business Administration's Paycheck Protection Program, provided billions in forgivable loans to in-state businesses, protecting 1.8 million Pennsylvania jobs. This relief was in high demand, clearly seen by the first round of the PPP exhausting its funds within just two weeks. With the clear need that so many struggling small businesses – businesses with little or no income for months – had for PPP funding, I was surprised to see a July 7 story in *The Philadelphia Inquirer* with the news that over 20 Philadelphia-area charter schools and charter management organizations received at least \$30 million in low-interest loans through the PPP.

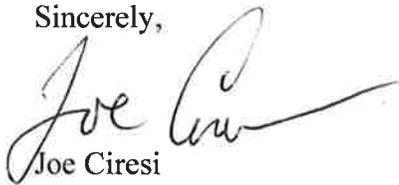
Even in times of economic downturn and financial hardships for school districts, I know – from firsthand experience as a school board member – that they are required by law to continue making payments to charter schools. Despite having no interruption in payments, charter school applicants would have had to certify to the SBA that the funding they received would be “necessary to support the ongoing operations of the Applicant.” Our school districts make sacrifices – sometimes involving raising taxes, making budget cuts, of even laying off staff themselves – to make sure charter school funding continues uninterrupted and untouched, making it a mystery how additional public funds intended for small businesses would be in any way appropriate or necessary to support charter school operations.

Furthermore, the forgivable nature of PPP loans if used for payroll expenses opens the possibility for double-dipping of public funds, as basic operational expenses such as payroll should already have been covered by payments from school districts, as they are every year. With charter schools now also receiving federal funding, which was in very high demand, from a program intended to help small businesses keep staff on payroll, they squeezed out businesses in serious need of assistance and took away an opportunity for the lifeline that so many small businesses could have used.

To ensure that public funds are being spent properly – both federal funding through the PPP as well as the state and local funding given to charter schools by school districts – I am asking that your office investigate the charter schools that have received loans from the Small Business Administration. The Pennsylvania taxpayers deserve to know that their tax dollars are spent responsibly, and that the funding of a government program is used for its intended purpose. It is therefore important to determine how charter schools were able to justify and obtain these forgivable loans, and whether taxpayer funds from all sources are being used for their legally intended purposes by recipient charter schools and management organizations.

Thank you very much for your service in these uncertain times, and I greatly value your work as our state's financial watchdog and to keep public officials and organizations accountable. I hope that you will take my request into consideration.

Sincerely,

A handwritten signature in cursive script that reads "Joe Ciresi". The signature is written in black ink and is positioned above the printed name.

Joe Ciresi