

## EDUCATION

# Lawmaker Eddie Farnsworth nets \$13.9 million in charter-school sale, keeps getting paid



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When the Benjamin Franklin charter chain completes the purchase next month of its four East Valley campuses from founder Eddie Farnsworth, ownership will shift to a newly formed nonprofit company.

But the \$56.9 million deal, from which Farnsworth will pocket \$13.9 million, won't be the state lawmaker's last payday from the schools he's owned for decades.

Records show he will loan Benjamin Franklin \$2.8 million over seven years, earning himself \$478,000 in interest while ensuring the schools have enough cash to keep operating.

He'll collect another \$79,600 a year in rent on the building that currently serves as Benjamin Franklin's corporate headquarters.

And Farnsworth, who has been a staunch defender of charter schools at the Arizona Legislature, will continue to be paid as a consultant to Benjamin Franklin.

Kevin O'Malley, one of three board members Farnsworth recruited to oversee the nonprofit, said the board wanted Farnsworth's expertise. He declined to disclose how much Farnsworth will be paid in that role, saying only that it will be less than the \$170,000 Farnsworth paid himself as chief executive.

Meanwhile, the new nonprofit organization formed to buy the schools will have little cash, requiring it to borrow the \$2.8 million from Farnsworth in order to have 60 days of working capital, a requirement of the bondholders funding the purchase.

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Farnsworth declined to confirm the financial figures Wednesday.

"I'm not going to discuss the inner workings of my business. This is an asset sale ... There has to be a certain benefit for me to transfer and give away a business I have run for 24 years," said Farnsworth, adding that he is donating to the schools equipment and supplies worth \$1.1 million.

The charter chain receives about \$20 million annually from the state to educate 3,000 students at its Gilbert and Queen Creek campuses.

### **'It's a pretty amazing success story'**

Farnsworth defended the sale, which makes him the latest charter-school owner in Arizona's loosely regulated industry to receive a multimillion-dollar payday.

Benjamin Franklin will have more long-term stability by converting from a for-profit business to a nonprofit company, he said.

O'Malley said Farnsworth is entitled to a profit after building a successful charter-school business over two decades. And the new corporate structure will allow Benjamin Franklin to invest more in teacher pay because there no longer will be a profit motive and the school's tax burden will decrease, O'Malley said.

Regarding the \$2.8 million loan, the school elected to borrow from Farnsworth because it was less expensive than borrowing from a bank, O'Malley said.

In addition, the board hired Farnsworth's brother, David, to be executive director. His salary was not disclosed.

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Eddie Farnsworth will retain his business — Benjamin Franklin Charter School Ltd. — that previously operated the schools.

That company posted a \$240,556 profit and had \$3.7 million in cash, as of June 30, records show. Farnsworth also had a \$3.9 million equity stake he created for himself.

Farnsworth made a profit and equity, in part, by paying his teachers less than competing district schools.

Benjamin Franklin teachers, on average, are making [\\$44,267 this academic year](#). [Gilbert teachers make 10 percent more](#), while [Queen Creek teachers make 15 percent more](#).

Jason Rose, a media consultant for Farnsworth, said teachers want to work for Benjamin Franklin, noting there were 120 applicants for 20 positions this school year.

"If he's paying so poorly and people are unhappy, how do you explain that?" Rose said. "It's a pretty amazing success story."

**'Wow! When will it end?'**

State schools Superintendent-elect Kathy Hoffman said she was stunned and appalled by how much money Farnsworth was making.

"Wow! When will it end?" she said. "We should not have anyone profiting millions of dollars from a system that has been so severely underfunded."

Farnsworth said Hoffman and other critics of his sale are hypocrites because private companies profit from school districts by building schools and providing other services.

Charter schools, like district schools, are taxpayer funded, but charters currently receive up to \$2,106 more in per-student state dollars. That extra money is supposed to allow charter operators to pay debt on buildings because they can't seek local, voter-approved construction funding.

Farnsworth said he and his wife took the risk of guaranteeing millions of dollars in loans when he started the chain in 1995 and in subsequent years.

"The state has had no liability. My wife and I had all the risk, not the state," he said.

Details of the financial transactions between Benjamin Franklin and Farnsworth were outlined in a [216-page loan document](#) that the charter chain was required to file with the [Municipal Securities Rulemaking Board](#).

Those records show Farnsworth will make nearly \$14 million by selling his schools for a purchase price of \$56.9 million. Debt on the schools was \$43 million.

All of the transactions, except possibly the building lease, would be illegal in a school district, where the board members are elected.

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Along with O'Malley, the nonprofit company's three-member board includes James Candland and Chris Eltiste.

A few months before joining the board, O'Malley and Candland were lobbyists who received votes from Farnsworth that were favorable to their clients during the 2018 legislative session.

Superintendent-elect Hoffman, who takes office in January, said while Farnsworth is legally pocketing millions of dollars after running a charter school, it's not right.

She hopes to convince lawmakers, including Farnsworth, and Gov. Doug Ducey that significant reform is needed for Arizona's 500-plus charter schools when the Legislature convenes in January.

Hoffman pointed to [Primavera online charter school's chief executive paying himself millions of dollars](#) the past two years as another example of what's wrong with the state's charter-school system.

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Farnsworth said he's happy to work with Hoffman and others if there are weaknesses in Arizona's charter-school regulation.

"Is this really an issue of having for-profits in education, or is it we don't want charter schools to be competitive with district schools? So, do we want to hamstring them (charters) with more regulations?" Farnsworth said.

Farnsworth during his 16 years in the Legislature has voted 12 times for budgets that increased charter-school funding. He was elected to the state Senate in November, and he was chairman of the House Ethics Committee this year.

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