

STRENGTHENING FEDERAL INVESTMENT IN CHARTER SCHOOL FACILITIES

EXECUTIVE SUMMARY

Charter schools today serve more than 3 million students. Nationally, these students account for approximately 6 percent of all K-12 enrollment, though the percentage is much higher in many communities. Research shows that charter schools on average have a positive impact on student outcomes,¹ and survey data suggest that there are an additional 2.5 million students whose parents would enroll them in a charter school if location and capacity were not an issue.²

Still, access to facilities is and will continue to be a challenge to the growth of the sector. Public charter schools do not have access to the same financing structures as district schools and, as a result, charter schools are often forced to resort to operating in subpar facilities (like church basements or abandoned storefronts) that lack important amenities (like gymnasiums, libraries, and science labs) or not open at all. A series of stopgap philanthropic and government solutions have helped charter schools access facilities. However, these solutions are limited in both their reach and funding, and do not come close to meeting the charter sector's facilities needs.

Given both the increasing demand for charter schools and the academic growth that many charter schools accomplish for high-need youth, it is imperative to improve charter schools' access to facilities.

Education is primarily a state responsibility, but the size and importance of the charter school facilities challenge merits the attention of federal policymakers. Federal dollars have historically been a catalyst for charter school growth and innovation, federal policymakers are uniquely positioned to ensure the equitable treatment of all public school children, and federal policy can help provide comprehensive and long-term solutions to help all students attend school in a high-quality and safe facility. Moreover, the federal government has an interest in charters' ability to better reach underserved young people. Federal policymakers may take up the issue of infrastructure in the near future, where they can create and amend programs that will meaningfully improve charter schools' access to facilities.

The purpose of this paper is to examine what can be done at the federal level to provide additional resources to charter schools to access school buildings, and to create incentives for states to address inequities in the allocation and funding of buildings. The ideas presented here are the result of a one-day convening of more than 30 charter school facility policy experts, finance experts, practitioners, and nonprofit lenders. They include changes that policymakers can make to strengthen existing programs as well as new programs that policymakers can create to ease the facilities burden on charter schools.

The proposals offered in this paper are summarized in the tables on the following two pages. Collectively, the suggestions we offer will broaden the reach of federal investments and help equalize access to facilities for charter schools. This will ensure that new schools can launch and existing, high-performing schools can expand to meet current and future demand.

POLICYMAKERS SHOULD CHANGE EXISTING PROGRAMS TO BETTER MEET CHARTER SCHOOLS' FACILITIES NEEDS

PROGRAM NAME	SUMMARY OF CHANGES	BENEFITS OF CHANGES
<p>Credit Enhancement for Charter School Facilities</p>	<ul style="list-style-type: none"> » Review and analyze data about what kinds of charter schools participate in and benefit from the program, better identify gaps, and help policymakers ensure all types of schools are able to benefit from the program. » Incentivize lenders to take more risk in order to ensure that new, innovative, and geographically diverse school models can take advantage of the program. » Continue to increase funding for the program. 	<p>This program is currently working quite well, and these changes will enable even more schools to take advantage of it.</p>
<p>Community Facilities Direct Loan & Grant Program</p>	<ul style="list-style-type: none"> » Align definitions of “rural” across agencies to increase clarity. » Broaden eligibility requirements to include small towns that face similar challenges to rural communities. » Encourage local agencies to prioritize charter facilities in their applications. » Modify the feasibility study component of the application process to accelerate the approval timeline. 	<p>These changes will make the program available to a larger number of schools.</p>
<p>State Facilities Incentive Grant</p>	<ul style="list-style-type: none"> » Make funds available on an annual basis so states become eligible and receive funding immediately after passing eligible legislation. » Expand the types of state programs that could benefit from this funding. 	<p>These changes will make the program more attractive to states and ensure that states implement a variety of programs and policies to support charter schools’ access to facilities.</p>

POLICYMAKERS SHOULD CREATE NEW PROGRAMS AND POLICIES TO FILL GAPS BETWEEN CURRENT PROGRAMS

PROPOSED PROGRAM	SUMMARY OF PROGRAM/POLICY	BENEFITS OF PROGRAM/POLICY
<p>Charter School Infrastructure Tax Credit Program</p>	<p>» This program would sell charter school infrastructure bonds and notes to investors in the capital markets in the same manner that other bonds and notes are sold. Investors would receive federal tax credits for the purchase of these notes, which would supplant the school's interest payments.</p>	<p>This program would improve charter schools' access to the long-term capital they need to obtain and operate in high-quality facilities.</p> <p>It would be tailored to address the specific needs of charter schools, which is more efficient than trying to create a charter school carve-out in existing programs.</p>
<p>Equitable School Facilities Investment Program</p>	<p>» This program would provide targeted support to charter schools that are typically viewed as higher risk by traditional lenders, such as those run by independent operators rather than charter management organizations (CMOs), those in their first few years of operation, or those with new or innovative models.</p> <p>» It could offer a variety of funding options to eligible startup and independent charter schools, including:</p> <ul style="list-style-type: none"> • Direct loans at low interest rates to help charter schools finance a facility; • Grants to help schools fund various stages of the work, for example to enable a school to hire an expert consultant during the pre-development phase; and • Loan guaranties to private lenders who make loans to certain charter schools viewed as a higher risk. <p>» An alternative structure for this program could provide grants to intermediaries, like community development financial institutions (CDFIs), either as a completely separate program or as a supplementary set-aside to the credit enhancement program. The program could couple these grants with a CDFI capacity-building grant to ensure more charter schools have access to a CDFI and thus, this program.</p>	<p>This program would provide targeted support to charter schools that typically have a much more difficult time accessing facilities financing through existing channels. By doing so, it will help ensure that the charter school sector remains diverse in geography and in the types of schools that are able to open.</p>
<p>Incentivize State Action</p>	<p>» Federal policymakers could use new funding to incentivize state action. For example, federal policymakers could require states to set aside a proportion of infrastructure funding equal to the proportion of students enrolled in charter schools in a particular state or community, or it could set a representative proportion aside at the national level to be allocated to charter schools. Policymakers could also condition funding or create incentives to encourage the equitable treatment of charter schools in state policies or use new funding to incentivize states to adopt a broader range of charter facility policies.</p>	<p>This policy ensures that decisions over facilities programs and policies remain at states' discretion, while providing federal funds to encourage states to adopt those that support charter schools.</p>