



# 2007 Charter School Facility Finance Landscape

**LISC**  
Educational Facilities  
Financing Center

April 2007



# 2007 CHARTER SCHOOL FACILITY FINANCE LANDSCAPE

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## **LOCAL INITIATIVES SUPPORT CORPORATION**

Local Initiatives Support Corporation (LISC) is dedicated to helping non-profit community-based development organizations transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity—good places to work, do business and raise children. LISC mobilizes corporate, government and philanthropic support to provide local community development organizations with:

- grants, loans and equity investments
- technical and management assistance
- local, statewide and national policy support

LISC is a national organization with a community focus. Our program staff is based in every city and many of the rural areas where LISC-supported community development takes shape. In collaboration with local stakeholders, LISC staff help identify priorities and challenges, delivering the most appropriate support to meet local needs.

Since 1980, LISC has marshaled more than \$7.8 billion from 3,100 investors, lenders and donors. In over 300 urban and rural communities nationwide, LISC has helped to finance the construction or rehabilitation of more than 215,000 affordable homes and 30 million square feet of retail, community and educational space—totaling \$22.3 billion in development.

## **EDUCATIONAL FACILITIES FINANCING CENTER**

The Educational Facilities Financing Center (EFFC) at LISC supports quality public charter and alternative schools in distressed neighborhoods. LISC founded the EFFC in 2003 to intensify its national effort in educational facilities financing. The EFFC pools low-interest loan funds and leverages them for investment in charter school facilities in order to create new or renovated school facilities for underserved children, families and neighborhoods nationally. Since making its first school grant in 1997, LISC has approved \$58 million in grants, loans or guarantees for 80 schools across the country. The EFFC is supported by Prudential Financial, the U.S. Department of Education and the Walton Family Foundation.

The EFFC assembled a National Advisory Board to provide oversight and leadership of its strategic mission, resource development, public policy activity and other issues relevant to the attainment of its mission. The Advisory Board is comprised of members representing the community development, education, finance and philanthropic communities.

**For more information about LISC, visit [www.lisc.org](http://www.lisc.org).**

## **THE ANNIE E. CASEY FOUNDATION**

The Annie E. Casey Foundation is a private charitable organization dedicated to helping build futures for disadvantaged children in the United States. It was established in 1948 by Jim Casey, one of the founders of UPS, and his siblings, who named the Foundation in honor of their mother. The primary mission of the Foundation is to foster public policies, human-service reforms and community supports that more effectively meet the needs of today's vulnerable children and families. In pursuit of this goal, the Foundation makes grants that help states, cities and neighborhoods fashion more innovative, cost-effective responses to these needs.

**For more information about the Foundation, visit [www.aecf.org](http://www.aecf.org).**

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In May 2005, the Educational Facilities Financing Center (EFFC) of the Local Initiatives Support Corporation (LISC) published the “The Charter School Facility Finance Landscape,” the first comprehensive listing of public and nonprofit financing programs for charter school facilities across the nation. Lack of access to appropriate public facilities or to public funding for facilities continues to be a major obstacle for charter school operators and one that raises equity issues, as children within the same neighborhood, community and school district receive different levels of public support for their education. This 2007 edition of the Landscape provides an updated and expanded snapshot of the charter school facility financing sector that includes all 41 jurisdictions with a charter law.

Due in part to support from the U.S. Department of Education (ED), the facility financing sector for charter schools has grown rapidly over the last few years. Today, 25 private nonprofit organizations provide financing to charter schools for their facilities, collectively providing over \$600 million in direct financial support to date. In addition, although not within the scope of this study, private capital from traditional lenders and the tax-exempt bond market is also becoming increasingly available. Several national financial institutions, including Bank of America, Citigroup and Prudential Financial, have each invested between \$100 million and \$150 million in charter school facilities, and other regional commercial lenders have participated on a smaller scale to finance schools in their geographic markets. The tax-exempt bond market has grown similarly. In addition to unrated charter school facility debt, there are now roughly 70 rated charter school bond issuances totaling over \$1 billion. See Appendix A for Standard & Poor’s and Moody’s Investors Service ratings on 67 of these issuances.

While the financing opportunities available to charter schools for their facilities are increasing, the sector remains fragmented, with individual providers having different eligibility requirements, financial products and geographic markets. Obtaining access to financing is still difficult for smaller schools and those earlier in the charter school life cycle, with start-up schools facing the greatest challenges. This fragmentation stems from the state-specific nature of charter law and the limited public funding available. Only 11 jurisdictions provide a per pupil funding stream specifically for charter school facilities. Of those 11, only eight provide such funding at a level of \$500 or more, and only three provide \$1,000 or more on a per pupil basis. Recognizing these obstacles, the federal government has sought to stimulate private sector investment and increase state per pupil funding for facilities through

two U.S. Department of Education programs: the Credit Enhancement for Charter School Facilities Program and the State Charter School Facilities Incentive Grants Program. However, while receiving appropriations over the past several years, both programs have faced challenges garnering Congressional support for funding at levels requested by the Administration.

This study is intended to serve as a roadmap for individual schools as they attempt to steer a course through the charter school facility landscape and as a policy guide for those interested in helping to rationalize the sector and develop more equitable funding for charter school facilities. Providers are grouped into three categories: private nonprofit organizations, public-private partnerships and public initiatives.

<b>PRIVATE NONPROFIT PROVIDERS</b> (\$ in Millions)		
<b>Organization</b>	<b>ED Grant</b>	<b>NMTC Allocation</b>
<b>Foundations</b>		
The Annie E. Casey Foundation	—	—
The Broad Foundation	—	—
The Prudential Foundation	—	—
The Walton Family Foundation	—	—
<b>CDFIs</b>		
Community Loan Fund of Southwestern Pennsylvania, Inc.	—	—
Illinois Facilities Fund	\$8.0	\$10.0
Local Initiatives Support Corporation	\$18.2	\$295.0
Low Income Investment Fund	\$3.0	—
New Jersey Community Capital	\$8.2	\$15.0
Nonprofits Assistance Fund	—	—
Nonprofit Finance Fund	—	—
Partners Advancing Values in Education	—	—
Raza Development Fund, Inc.	\$14.6	—
Self-Help	\$10.2	\$170.0
The Reinvestment Fund, Inc.	\$20.0 <sup>1</sup>	\$113.5
<b>Other Private Initiatives</b>		
America's Charter School Finance Corp./ Building Hope	\$5.0	—
Charter Schools Development Corporation	\$21.6	\$40.0
Excellent Education Development, Inc.	—	\$36.0
Innovative Schools Development Corporation	—	—
KIPP Foundation	\$6.8	—
NCB Capital Impact	\$28.0 <sup>2</sup>	\$129.0
NewSchools Venture Fund	—	—
<b>Real Estate Developers</b>		
Charter Schools Development Corporation	See Above	See Above
Civic Builders	—	—
EdBuild	—	—
Pacific Charter School Development	—	—

Source: EFFC

<sup>1</sup> \$10 million jointly awarded with NCB Capital Impact and FOUNDATIONS, Inc.

<sup>2</sup> \$10 million jointly awarded with The Reinvestment Fund, Inc. and FOUNDATIONS, Inc. and \$10 million jointly awarded with the California Charter Schools Association.

## PRIVATE NONPROFIT PROVIDERS

In the private sector, there are 25 nonprofit organizations that provide significant facilities assistance to charter schools in the form of grants, loans, guarantees, real estate development and technical assistance. Four foundations have committed to facilities financing for charter schools on more than a localized basis; 11 community development financial institutions (CDFIs) certified by the U.S. Department of the Treasury provide financing for charter school facilities as part of their community development missions; and ten other nonprofit organizations offer financing and real estate development services. Eleven of these 25 organizations have received support from the U.S. Department of Education's Credit Enhancement for Charter School Facilities Program and eight have been awarded New Markets Tax Credit (NMTC) allocations by the Community Development Financial Institutions Fund (CDFI Fund) of the U.S. Department of the Treasury. See Appendix B for the markets served and assistance offered by these private nonprofit providers.

## PUBLIC-PRIVATE PARTNERSHIPS

There are currently two public-private partnerships that help provide facilities financing for charter schools, the Indianapolis Charter Schools Facilities Fund and the Massachusetts Charter School Loan Guarantee Fund.

## PUBLIC INITIATIVES

Six federal programs provide varying types of assistance to, or on behalf of, charter schools for their facilities. The U.S. Department of Education provides grant funds through two programs administered by the Office of Innovation and Improvement: the **Credit Enhancement for Charter School Facilities Program** and the **State Charter School Facilities Incentive Grants Program**. ED has made credit enhancement grant awards totaling \$160 million that have helped attract private capital to the sector and state incentive grant awards totaling \$50 million to spur states to share in the public funding of charter school facilities. In addition, there are four other federal programs administered by diverse federal agencies that charter schools can access for their facilities needs, including the **Public Assistance Grant Program** administered by the Federal Emergency Management Agency, the **New Markets Tax Credit Program** and the **Qualified Zone Academy Bond (QZAB) Program** administered by the Department of the Treasury, and **Community Programs** administered by the Department of Agriculture. Descriptions of these six programs are provided in "Public Initiatives—Federal Programs."

## SUMMARY OF STATE CHARTER SCHOOL FACILITY FUNDING AND FINANCING PROGRAMS

### 41 JURISDICTIONS WITH CHARTER SCHOOL LEGISLATION<sup>1</sup>

Jurisdiction	Operating Charter Schools	Per Pupil Funding	Other Grant Funding	Loan Program	Credit Enhancement <sup>2</sup>	Conduit Issuer	QZAB Eligibility
Alaska	23					■	■ <sup>3</sup>
Arizona	469	■				■	■
Arkansas	18						
California	719	■	■	■		■	■
Colorado	133	■			■	■	■
Connecticut	16		■			■	■
Delaware	17					■	■ <sup>3</sup>
Florida	356	■				■	
Georgia	62		■			■	■
Hawaii	27	■					■
Idaho	24					■	■ <sup>3</sup>
Illinois	56			■		■	■
Indiana	37				■	■	■
Iowa	10						
Kansas	28					■	■
Louisiana	42			■		■	■
Maryland	23					■	■
Massachusetts	59	■			■	■	■
Michigan	230					■	■
Minnesota	131	■				■	■
Mississippi	1						
Missouri	22					■	■
Nevada	19						■
New Hampshire	8					■	■ <sup>3</sup>
New Jersey	53					■	
New Mexico	61	■	■			■	■
New York	108		■			■	
North Carolina	93					■	
Ohio <sup>4</sup>	310		■		■		■
Oklahoma	14		■			■	
Oregon	70					■	■
Pennsylvania	117	■				■	
Rhode Island	11		■			■	■
South Carolina	29					■	■ <sup>3</sup>
Tennessee	12					■	■
Texas	204				■	■	
Utah	53	■	■	■		■	
Virginia	3					■	■
Washington, D.C.	71	■	■	■	■	■	■
Wisconsin	188					■	■
Wyoming	3						
<b>Total</b>	<b>3,930</b>	<b>11</b>	<b>10</b>	<b>5</b>	<b>6</b>	<b>34</b>	<b>29</b>

Source: EFFC

<sup>1</sup> The following ten jurisdictions do not currently have charter school legislation: Alabama, Kentucky, Maine, Montana, Nebraska, North Dakota, South Dakota, Vermont, Washington and West Virginia.

<sup>2</sup> Credit enhancement includes moral obligation provisions in Colorado and Indiana and other loan guaranty programs in Massachusetts, Ohio, Texas and Washington, D.C., which are partially funded and/or administered by state entities.

<sup>3</sup> Charter school eligibility has not been specifically addressed to date; however, charter schools are not expressly prohibited from participating in the jurisdiction's QZAB program.

<sup>4</sup> The Ohio General Assembly has authorized the creation of a revolving loan program; however, the program has not yet been implemented.

This expanded study also details state-level **grant, loan** and **credit enhancement** programs currently authorized throughout the country. Of the 41 jurisdictions with a charter law, half have authorized programs in at least one of these categories, with program size and magnitude of support varying widely across jurisdictions. Also included are brief descriptions of charter school access to tax-exempt financing through conduit issuers and eligibility for participation in the QZAB program.

- Eleven jurisdictions (Arizona, California, Colorado, Florida, Hawaii, Massachusetts, Minnesota, New Mexico, Pennsylvania, Utah and Washington, D.C.) offer a **per pupil funding** stream of varying magnitude specifically for facilities.
- Ten jurisdictions (California, Connecticut, Georgia, New Mexico, New York, Ohio, Oklahoma, Rhode Island, Utah and Washington, D.C.) have authorized some other form of **grant funding** for charter school facilities.
- Five jurisdictions (California, Illinois, Louisiana, Utah and Washington, D.C.) have publicly-funded **loan programs**.
- Six jurisdictions (Colorado, Indiana, Massachusetts, Ohio, Texas and Washington, D.C.) offer some form of **credit enhancement program**, including two states with moral obligation provisions available to charter schools. Massachusetts and Texas have been included as states providing credit enhancement because their programs are either partially funded and/or administered by public entities.
- 34 of the 41 jurisdictions allow charter schools to access tax-exempt debt through conduit issuers. However, in practice charter schools have yet to utilize **conduit issuers** in many states and the rules and processes may be untested.
- 29 jurisdictions technically allow charter schools to participate in their **QZAB programs**. In practice, however, numerous states have prioritization criteria that effectively preclude charter schools and others have not specifically addressed charter school eligibility although they do not prohibit it. QZABs have been issued on behalf of charter schools in several jurisdictions, including Arizona, California, Massachusetts, Michigan, Wisconsin and Washington, D.C.

The chart opposite summarizes funding and financing assistance to charter schools for their facilities in the 41 jurisdictions with a charter law and includes as a reference point the number of charter schools operating within the jurisdiction in the 2006-2007 school year.

Wherever possible, we have provided statutory and government program references and have sought to provide links to free, online, publicly available resources. In some cases, the referenced materials are only available on a subscription or in-person inspection basis and therefore were not included. In addition, many of the online references are not “official” in a legal sense or may not have been updated recently. Accordingly, readers should use these references as a starting point for their research and should not rely solely on the links provided.

## PRIVATE NONPROFIT PROVIDERS

### FOUNDATIONS

While several foundations provide facilities financing assistance within select geographic markets, the following four provide geographically diverse assistance.

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#### The Annie E. Casey Foundation (AECF)

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**Website:** <http://www.aecf.org>

**Market:** Nationwide

Making Connections Cities: Denver, Des Moines, Hartford, Indianapolis, Louisville, Milwaukee, Oakland, Providence, San Antonio and Seattle

The Annie E. Casey Foundation is committed to fostering public policies, human service reforms and community supports to more effectively meet the needs of children nationwide. In 1998, AECF introduced its Making Connections initiative, which provides families with improved economic opportunities, social networks and services in ten cities across the country. AECF has identified education as key to the success of its initiative and lent support to a variety of efforts to create new schools and improve existing ones.

In 1998, AECF began providing operational grant support to charter schools and authorized program-related investments for community development, including charter school facilities. Together with LISC, the Indianapolis Mayor's office and the Indianapolis Local Public Improvement Bond Bank, AECF played a leading role in the development of, and provided a \$1 million guaranty to, the Indianapolis Charter Schools Facilities Fund, a facilities loan program for Mayor-sponsored charter schools in Indianapolis. In April 2006, AECF also made a \$1 million subordinate program-related investment in the \$35 million Fund for Schools and Communities, which provides financing for charter schools in low-income communities in California. AECF is in the process of investing in other facilities funds for charter schools as well as providing financing for individual schools in its targeted cities.

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#### The Broad Foundation

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**Website:** <http://www.broadfoundation.org/home.html>

**Market:** California

The Broad Foundation was founded in 1999 by Eli Broad and his family to improve the quality of elementary and secondary public education in the United States, particularly within large urban school districts. Its mission is to improve education through better governance, management, labor relations and competition. The Foundation has launched programs in large urban districts across the country, investing in nontraditional education initiatives and recruiting and working with education leaders and entrepreneurs on a national basis.

The Foundation has made a number of charter school-related investments, including major support for the national KIPP network of schools as well as three charter management organizations (CMOs) operating in California: the Alliance for College-Ready Public Schools, Aspire Public Schools and Green Dot Public Schools. The Broad Foundation has provided significant support to the NewSchools Venture Fund's Charter Accelerator Fund, which is dedicated to increasing the growth of quality charter schools by assisting nonprofits that serve charter schools, including real estate developers. In addition, the Foundation has invested in the development of charter schools operated by the United Federation of Teachers in New York City.

In the area of facilities financing, the Foundation made a \$2 million grant to Excellent Education Development, Inc.'s \$36 million Los Angeles Charter School New Markets Loan Fund for the creation of charter school facilities in low-income Los Angeles communities. This grant provides \$400,000 per school over a five-year period to help subsidize the initial interest expense on facilities for participating schools. The Foundation also provided \$6.7 million in equity to Pacific Charter School Development, a nonprofit real estate development organization that develops, owns and leases facilities to high-quality charter schools in California.

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#### The Prudential Foundation

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**Website:** <http://www.prudential.com/SocialInvestments>

**Market:** Atlanta, Boston, Chicago, Houston, Jacksonville, Los Angeles, Minneapolis, Newark, Philadelphia, Phoenix and Washington, D.C.

The Prudential Charter School Lending Program was created in 1997 to provide below-market rate loans to support the start-up, early operations and facilities needs of charter schools. The program has approved 100 loans, totaling \$110 million, varying widely in size and structure. It has provided loans directly to charter schools in Atlanta, Los Angeles and Philadelphia, and statewide in New Jersey. In addition, it has provided funding to schools through national nonprofit financial intermediaries, as well as statewide funds in California and Texas. Through this program, Prudential made a \$20 million loan to LISC's Educational Facilities Loan & Guaranty Fund for investment in local facilities funds across the nation.

The program's objective is to encourage the development and replication of quality public schools by: 1) facilitating the creation and expansion of schools where student learning is based on high expectations and clearly stated performance standards and where data-based decision-making is used to improve curriculum and instruction; and 2) supporting quality school leadership and schools that address student, parent and community accountability and provide a safe, healthy environment for student learning.

The Prudential Charter School Lending Program is a component of Prudential Financial's Social Investment Program, which originates and manages investments for The Prudential Foundation and The Prudential

Insurance Company of America. Prudential's Social Investment Program has invested \$1.1 billion in equity and debt in nonprofit and for-profit ventures in 600 cities and 45 states. As part of its economic development financing, the Social Investment Program supports affordable housing preservation, community revitalization and minority entrepreneurship. In addition to financing charter schools, the program's education efforts include support for other quality education initiatives.

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### **The Walton Family Foundation (WFF)**

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**Website:** <http://www.wffhome.com>

**Market:** Arkansas and 27 urban districts in 13 states (Arizona, California, Colorado, Florida, Georgia, Illinois, Indiana, Michigan, Minnesota, New Mexico, New York, Ohio and Wisconsin) and Washington, D.C., with additional target districts to be determined

The Walton Family Foundation was established as the culmination of the philanthropic interests of the family of Sam M. and Helen R. Walton. The Foundation's K12 Education Reform investments seek to create quality educational options, especially for low-income families, in order to foster continuous improvement in America's education system. WFF launched its charter school initiative in 1997 and currently invests in multiple strategies, including support for:

- School developers planning and starting quality charter schools;
- Fellowship programs for future charter school leaders;
- State associations that serve and grow local quality charter school movements;
- National organizations that promote quality charter schools nationwide;
- Venture funds that nurture the expansion of quality charter management organizations; and
- Organizations that leverage investments to provide adequate facilities for quality charter schools.

School developers interested in serving low-income students in one of WFF's target districts may apply for up to \$20,000 in planning grants and \$230,000 in first-year start-up grants. Start-up grant recipients are required to deploy a student information system (SIS) and collect basic data about their students, teachers and school. In most cases, WFF pays for SIS implementation costs, as well as license, service, maintenance and hosting fees for two years.

WFF provides facilities assistance to charter schools by working through financial intermediaries and real estate developers that support the facilities needs of multiple schools. The Foundation provided a \$7.4 million grant to LISC's Educational Facilities Financing Center and a \$10 million program-related investment for LISC's Educational Facilities Loan & Guaranty Fund. The Foundation does not provide facilities funding to individual charter schools.

### **COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs)**

The 11 organizations described below are certified as CDFIs by the U.S. Department of the Treasury and are active in charter school facilities financing.

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### **Community Loan Fund of Southwestern Pennsylvania, Inc. (CL Fund)**

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**Website:** <http://www.clfund.com>

**Market:** Western Pennsylvania

Founded in 1990 as a housing and social service lender, CL Fund broadened its services by adding small business lending in 1994 and charter school lending in 1998. It has made 370 loans totaling \$35.3 million to entrepreneurs, small businesses and nonprofit organizations in western Pennsylvania. CL Fund has provided \$5.7 million in facilities and working capital financing for 20 charter and other alternative school projects, with total project costs of \$24 million. CL Fund has provided \$2.3 million for four facilities projects for Propel Schools, a nonprofit charter organization that is establishing a network of seven charter schools in southwestern Pennsylvania. CL Fund has received financing from various sources, including loans from PNC Bank, Citizens Bank of Pennsylvania and First National Bank, and grants from the Richard King Mellon Foundation and the Heinz Endowments.

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### **Illinois Facilities Fund (IFF)**

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**Website:** <http://www.iff.org>

**Market:** Illinois

*ED Credit Enhancement Award: \$8 million - Fiscal Year 2005*

*NMTC Allocation Total: \$10 million - Fiscal Year 2002*

The Illinois Facilities Fund was established in 1990 to offer financial and real estate services to nonprofit organizations. Its Real Estate Services division assisted the original Chicago charter schools in establishing their operations and locating or rehabilitating their facilities and has provided a range of contracted services, including site selection, program space planning, project budgeting and project management. The IFF provides financing for charter school facilities through its Illinois Charter Capital Program (ICCP).

The ICCP serves schools with facilities projects of under \$1 million through a loan program it established in 1996 that was capitalized with a \$2 million grant from Chicago Public Schools (CPS) and an additional \$3.4 million from The Chicago Community Trust and Circle of Service Foundation, among other sources. The IFF has made 40 below-market loans to charter schools totaling \$13.7 million through this program. Eligible uses include predevelopment, acquisition, construction, renovation, leasehold improvements and equipment and vehicle purchases, with loans ranging in size from \$10,000 to \$1 million, terms of up to 15 years and 5% fixed interest rates.

In addition, in 2005, with support from an \$8 million grant from ED, the IFF expanded the ICCP to include a bond financing program for charter schools with facilities projects of over \$1 million. Through this program, the IFF provides additional security for long-term, tax-exempt bond issuances. In August 2006, the IFF provided 10% credit enhancement on an \$18.7 million bond offering for the Noble Network of Charter Schools and UNO (United Neighborhood Organization) Charter School Network to renovate four new campuses and refinance debt on two existing campuses. The IFF expects to leverage its \$8 million grant to provide \$100 million in fixed-rate, tax-exempt debt for charter schools in Illinois. Through the bond program, the ICCP will provide financing for owned and leased facilities. Eligible uses include facility acquisition, renovation and construction as well as the purchase of furniture, fixtures and equipment.

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### **Local Initiatives Support Corporation (LISC) Educational Facilities Financing Center (EFFC)**

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**Website:** <http://www.lisc.org/effc>

**Market:** Nationwide

*ED Credit Enhancement Award Total: \$18.2 million - Fiscal Years 2003, 2004 and 2006*

*NMTC Allocation Total: \$295 million - Fiscal Years 2002, 2004 and 2005*

Local Initiatives Support Corporation is dedicated to helping nonprofit community-based organizations transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity. Since 1980, LISC has mobilized \$7.8 billion in corporate, government and philanthropic support to provide 2,800 local organizations with the capital, policy support and technical assistance necessary to build or rehabilitate 215,000 affordable homes and 30 million square feet of retail, community and educational space with total development costs of \$22.3 billion.

LISC supports quality public charter and alternative schools in low-income neighborhoods by providing on-the-ground assistance to individual charter schools through LISC's network of 30 local offices and by developing educational funds that finance multiple schools in specific markets through its Educational Facilities Financing Center. Since making its first charter school grant in 1997, LISC has approved \$58 million in grants, loans or guarantees for 80 schools across the country.

Through its local offices, LISC offers technical and financing assistance to individual charter schools. LISC provides short-term acquisition and construction loans, with an interest-only period, as well as mini-permanent financing with a seven-year term and a 12-year amortization period. Interest rates are currently 6.75% for loans of \$1 million or under and 7% for loans of over \$1 million.

LISC founded the EFFC in 2003 to intensify its support of quality public charter schools through the development of local facilities funds and nonprofit charter school networks. LISC has raised over \$60 million in grants and loans for this initiative, including \$17.4 million from the Walton Family Foundation, \$20 million from Prudential Financial and \$18.2 million from ED. With these monies, the EFFC has created a \$35 million Educational Facilities Loan & Guaranty Fund. The fund is secured by \$10 million in ED grant monies and supported by \$4.1 million in grant monies for technical assistance and predevelopment recoverable grants. LISC's remaining \$8.2 million in ED grant funds will be used to capitalize a National Credit Enhancement Fund for the creation of additional local funds. To date, the EFFC has approved \$22 million in loan and guaranty investments in eight local funds, together with \$1.5 million in companion grants. As part of these investments, LISC has employed \$6 million in NMTCs and served as leverage lender on other NMTC transactions.

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### **Low Income Investment Fund (LIIF)**

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**Website:** <http://www.liifund.org>

**Market:** California and New York

*ED Credit Enhancement Award Total: \$3 million - Fiscal Year 2001*

Established in 1983, LIIF invests capital and provides technical assistance to community development organizations in three program areas: housing, child care and education. LIIF has provided capital and technical assistance totaling \$700 million in 26 states, with a focus on the California and New York markets. In 1999, LIIF began financing charter schools in response to growing demand in low-income neighborhoods. LIIF has approved and packaged loans to 110 charter schools totaling \$114 million (including \$44 million of its own loan monies and \$70 million from other lenders) for working capital and facility acquisition, construction and renovation. These loans range in size from \$85,000 to \$9.3 million.

LIIF employs its \$3 million federal grant as a loan loss reserve for two pooled loan funds, which together leverage \$70 million in private capital from a variety of lenders and offer up to seven-year terms and 25-year amortization periods. LIIF is providing \$1.3 million in grant funds to secure lenders to the Los Angeles Charter School New Markets Loan Fund, which consists of \$25 million in loan monies and \$11 million in equity investments and is financing construction and permanent facilities loans for five charter schools in low-income Los Angeles communities. LIIF is using its remaining \$1.7 million in grant funds to secure lenders participating in the Fund for Schools and Communities, a \$35 million loan fund that will be used for construction and mini-permanent financing for an estimated five charter schools in low-income communities in California.

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## New Jersey Community Capital

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**Website:** <http://www.newjerseycommunitycapital.org>

**Market:** New Jersey primarily, but may serve other schools nationally

*ED Credit Enhancement Award Total: \$8.2 million - Fiscal Year 2006*

*NMTC Allocation Total: \$15 million - Fiscal Year 2002*

New Jersey Community Capital is the registered trade name used by Community Loan Fund of New Jersey, Inc. and its affiliated entities for its financial and consulting products and services. Since its founding in 1987, New Jersey Community Capital has committed financing for 550 projects totaling \$150 million in the housing, community services and small business sectors. Since 2004, New Jersey Community Capital has provided \$9 million of direct financing and arranged \$5 million in indirect financing for five charter school facilities with total project costs of \$17.7 million. New Jersey Community Capital also utilized a portion of its 2002 New Markets Tax Credit Allocation for three of these projects: North Star Academy, TEAM Academy and the Marion P. Thomas Charter School.

New Jersey Community Capital will utilize its ED grant to credit enhance leases, acquisition and construction loans and permanent mortgage financing for charter schools located in New Jersey communities where the public schools have been identified as in need of improvement, corrective action or restructuring under Title I of the Elementary and Secondary Education Act. It also intends to use a portion of its grant award to enhance permanent mortgages for charter schools operating nationally and anticipates partnering with Prudential Financial, the Community Reinvestment Fund of Minnesota and its peers in the community finance industry for this facet of the grant. The ED grant funds are projected to leverage \$100 million in public, philanthropic and private sector financing from an array of sources, including the State of New Jersey, foundations, banks, community development financial institutions, insurance companies and pension funds.

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## Nonprofits Assistance Fund

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**Website:** <http://www.nonprofitsassistancefund.org>

**Market:** Minnesota

The Nonprofits Assistance Fund provides financing for working capital, cash flow, equipment and facilities projects to strengthen the operation and mission of nonprofits, including charter schools. Financing of up to \$450,000 is available for bridge loans, working capital, program expansion, equipment purchases, leasehold improvements and building repairs and renovations.

The organization began financing charter schools in 2000 and has since provided \$5.6 million to 31 schools, including \$3 million for 14 facilities projects. Two of these financings were for acquisitions and 12 were for leasehold improvements. The Nonprofits Assistance Fund normally provides gap financing in conjunction with traditional lending partners and offers five- to seven-year term loans with fixed interest rates.

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## Nonprofit Finance Fund (NFF)

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**Website:** <http://www.nonprofitfinancefund.org>

**Market:** California, Delaware, Maryland, Michigan, New England, New Jersey, New York, greater Philadelphia, Virginia, Washington, D.C. and case-by-case nationally

The Nonprofit Finance Fund works to create a strong, well-capitalized and durable nonprofit sector by providing financial and advisory services to nonprofit organizations. Since its founding in 1980, it has helped 10,000 nonprofits implement sustainable growth and improve their capacity to serve their communities. To date, NFF has provided \$150 million in loans and leveraged \$750 million of capital investment on behalf of its nonprofit clients.

NFF works with nonprofit organizations across many sectors with one of its focus areas being children and youth services, including education. Since 2002, NFF has provided \$6 million in financing to charter schools in Boston, New Jersey, New York, San Francisco and Washington, D.C. NFF's loans range in size from \$100,000 to \$2 million, with terms of up to ten years and amortizations of up to 25 years. Eligible uses include acquisition, new construction, renovation, leasehold improvement and working capital.

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## Partners Advancing Values in Education (PAVE)

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**Website:** <http://www.pave.org>

**Market:** Milwaukee, Wisconsin

PAVE seeks to provide educational opportunity for low-income families in Milwaukee, Wisconsin. Founded in 1992, PAVE originally fulfilled this mission through the provision of scholarships to low-income families. In 2001, with a \$20 million, five-year matching grant from the Lynde & Harry Bradley Foundation, PAVE launched its Capital Investments Program to expand the capacity of high-performing urban schools in Milwaukee. To date, PAVE has invested \$13 million in technical assistance, grants and loans, leveraging \$47 million in financing for capital projects. PAVE has also created a revolving investment fund that provides support for high-performing schools.

In addition to other schools of choice, PAVE has supported expansion projects for five high-quality charter schools, including the Milwaukee College Preparatory School. PAVE has directly invested \$3.2 million and leveraged \$14.1 million in financing from Lincoln State Bank, North Milwaukee State Bank and Park Bank on behalf of these five schools. PAVE restricts eligibility for capital funding to schools that have a demonstrated record of successfully educating children from low-income families and limits its facilities financing activity to four or five projects at any given time. The program's capital projects are typically in the \$4 million range, with PAVE providing 5% to 10% of the project cost in direct assistance. PAVE also provides consulting services in the areas of facilities development, business and strategic planning, program development and leadership development for schools serving low-income students in Milwaukee.

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## Raza Development Fund, Inc. (RDF)

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**Website:** <http://www.razafund.org>

**Market:** Nationwide, areas with low-income, Latino populations

*ED Credit Enhancement Award Total: \$14.6 million - Fiscal Years 2001, 2004 and 2006*

Raza Development Fund, Inc., a support corporation of the National Council of La Raza, was established in 1998 to provide capital, technical assistance and training to entities serving the Latino community. RDF provides predevelopment, leasehold improvement, acquisition, construction and mini-permanent loans to both start-up and seasoned charter schools serving disadvantaged, Latino and other minority students. In addition, RDF employs its \$14.6 million in ED grant funds to provide credit enhancement to senior and subordinate lenders on behalf of schools, as well as technical assistance for business, growth and facility acquisition planning.

Since its inception, RDF has approved \$26 million in direct financing for 24 charter schools, seven charter management or school network organizations and two charter school facility developers in 15 states. This financing has supported facilities projects with total costs of \$88 million and leveraged additional support and financing from traditional lenders, including Bank of America, Citigroup, JPMorgan Chase Bank, N.A. and Prudential Social Investments.

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## Self-Help (Center For Community Self-Help)

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**Website:** <http://www.self-help.org/commerciallending>

**Market:** Primarily Florida, Georgia, North Carolina, South Carolina, Tennessee and Texas

*ED Credit Enhancement Award Total: \$10.2 million - Fiscal Years 2003, 2004 and 2006*

*NMTC Allocation Total: \$170 million - Fiscal Years 2002 and 2004*

Founded in 1980, Self-Help provides loans and technical assistance to small businesses and nonprofit organizations. Its Community Facilities Fund serves the nonprofit and human services sectors, including charter schools. Self-Help entered the charter sector in 1997 and has since provided \$65 million in facilities financing to 25 charter schools. Self-Help loans are available to charter school operators and/or affiliates and landlords that provide real estate or management services to charter schools. Self-Help offers acquisition, renovation, leasehold improvement, construction and mini-permanent loans for facilities projects, including the purchase or leasing of modulars. There is no cap on loan size, and priority is given to charter schools serving low-income and at-risk students. Self-Help offers interest-only, variable-rate construction loans and fixed-rate permanent loans with 15- to 20-year amortizations and 5- to 20-year terms. Interest rates are generally at market, although charter schools serving at-risk students may qualify for lower rates.

Self-Help is utilizing \$8 million in ED grant funds as credit enhancement to make higher risk loans, provide more favorable terms to charter schools and expand its geographic focus. Self-Help anticipates leveraging its first ED grant into \$80 million in loan funding. To date, the grant funds have leveraged \$45 million to assist 15 schools finance facilities. In 2006, Self-Help was awarded a second ED award of \$2.2 million, enabling further expansion of its charter school lending. In addition, Self-Help has committed \$36 million of its \$170 million NMTC allocation to charter school projects and expects to make an additional \$50 million of its allocation available for charter school loans over the next several years.

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## The Reinvestment Fund, Inc. (TRF)

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**Website:** <http://www.trfund.com>

**Market:** Mid-Atlantic Region (Delaware, Maryland, New Jersey, Pennsylvania and Washington, D.C.)

*ED Credit Enhancement Award Total: \$20 million - Fiscal Years 2001, 2004 and 2005 (\$10 million in Fiscal Year 2001 and 2004 grants were jointly awarded to The Reinvestment Fund, Inc., NCB Capital Impact and FOUNDATIONS, Inc.)*

*NMTC Allocation Total: \$113.5 million - Fiscal Years 2003 and 2005*

Since its founding in 1985, The Reinvestment Fund has provided \$500 million in capital to 2,000 housing, economic development, business and educational ventures in the Mid-Atlantic Region. TRF began financing charter schools in 1997 and has since closed 62 loans totaling \$80 million for 37 charter schools. Loan funds are available for the acquisition, renovation, construction and leasehold improvement of charter school facilities, as well as for predevelopment activities. TRF also encourages charter schools to make energy efficient improvements by offering a reduced interest rate on financing for such upgrades.

In addition to its Core Loan Fund, TRF established two facilities loan funds for charter schools with its ED grant funds. In 2001, TRF partnered with NCB Capital Impact and FOUNDATIONS, Inc. to create the Charter School Capital Access Program (CCAP). This \$45 million loan fund, which is administered by NCB Capital Impact, is credit enhanced with \$6.4 million in ED grant funds. In 2006, TRF established a second loan program totaling \$60 million, supported by \$10 million in grant funds from ED. This new program provides subordinate debt, leasehold financing and NMTC mortgages and anticipates providing credit enhanced letters of credit for a bond pool.

TRF's typical charter school financing terms are 2% interest and up to 12-month terms for predevelopment loans; Prime plus 1% interest and up to 12-month terms for acquisition and construction loans; and the applicable U.S. Treasury Rate plus 3% interest and terms of up to 15 years and amortization periods of up to 25 years for permanent loans. TRF is also using a portion of its NMTC allocation to fund charter school projects within its Mid-Atlantic footprint.

## OTHER PRIVATE INITIATIVES

The seven organizations described below are active in various ways in the charter school facilities financing sector.

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### America's Charter School Finance Corporation (America's Charter)

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**Website:** <http://www.americascharter.org>

See "Building Hope."

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### Building Hope

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**Website:** <http://www.buildinghope.org>

**Market:** Illinois, Indiana, Massachusetts, Texas and Washington, D.C.

*ED Credit Enhancement Award Total: \$5 million - Fiscal Year 2001*

Building Hope is a private foundation established in 2003 that provides technical and financial assistance to charter schools for the acquisition, renovation, construction and maintenance of school facilities. Building Hope provides assistance regarding site selection and predevelopment, arranges financing packages and provides loans and guarantees for facilities projects. It generally contributes 30% of project financing in the form of subordinate loans or guarantees, with loan terms in the three- to five-year range, 25-year amortization periods and below-market interest rates (2% or 400 basis points below Prime). In 2006, Building Hope began offering professional back-office services to schools, including facility maintenance, finance and accounting, and information technology.

Building Hope began by serving charter schools in the District of Columbia. It was initially capitalized with \$28 million from The Sallie Mae Fund and an additional \$2 million from the Fiscal Year 2004 District of Columbia Appropriations Act. In 2006, it received an additional \$4 million in grant monies and \$5 million in credit enhancement monies from the D.C. State Education Office for the creation of charter incubator facilities in the District. In October 2006, Building Hope affiliated with America's Charter School Finance Corporation.

Founded in 2000, America's Charter is a nonprofit organization that provides loan guarantees for charter school facilities debt. America's Charter received an ED grant award of \$5 million and an additional \$2 million in credit enhancement monies from The Sallie Mae Fund. The two organizations will work collaboratively, with Building Hope continuing to focus on direct lending and America's Charter providing credit enhancements with a 1% annual guaranty fee. Since 2003, Building Hope has invested \$16.5 million in 11 projects, developed 300,000 square feet of school space and leveraged \$100 million in financing for charter school facilities projects. America's Charter has provided \$9 million in guaranty commitments on behalf of 15 schools and leveraged an additional \$100 million in financing for charter schools in its original four core markets.

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### Charter Schools Development Corporation (CSDC)

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**Website:** <http://www.csdc.org>

**Market:** Nationwide

*ED Credit Enhancement Award Total: \$21.6 million - Fiscal Years 2001, 2004 and 2006*

*NMTC Allocation Total: \$40 million - Fiscal Year 2004*

Established in 1997, Charter Schools Development Corporation provides facility solutions for charter schools nationally through real estate development, financing and credit enhancement services. CSDC's Building Block Fund (BBF), a \$26.6 million national revolving credit enhancement fund (\$21.6 million in ED grant funding and a \$5 million program-related investment from the Kauffman Foundation of Kansas City), provides loan guarantees, first-loss debt service reserves, substitute equity and additional collateral for leasehold improvement, acquisition, renovation and construction loans as well as lease guarantees. Through BBF, CSDC provided \$17.5 million in credit enhancement that has leveraged \$134 million in financing to acquire, develop or lease 1.4 million square feet of educational space. These projects helped 46 schools serve a combined enrollment of 12,500 students in 20 states.

CSDC received a \$40 million allocation of federal New Markets Tax Credits in 2004 and has committed \$35 million to date for the financing of charter school facilities in the District of Columbia, Massachusetts, Indiana and California. Through its Turnkey Facilities Design and Development Program, CSDC also takes on the role of property owner, developer and manager, providing charter schools with facilities at market or below-market rates. CSDC serves as a nonprofit landlord to the schools on a lease/build-to-suit/with option to purchase basis, with the fixed-price purchase option normally effective between the third and fifth years of the lease. CSDC has developed, leased and manages 300,000 square feet of educational space on behalf of seven charter schools in Indianapolis, West Gary and East Chicago, Indiana; St. Paul, Minnesota; Cleveland, Ohio; and Washington, D.C.

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### Excellent Education Development, Inc. (ExED)

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**Website:** <http://www.exed.net>

**Market:** Los Angeles

*NMTC Allocation Total: \$36 million - Fiscal Year 2002*

ExED was founded in 1998 to improve the quality of public education by creating access to K-12 schools with high student achievement in low-income neighborhoods through the vehicle of community-based charter schools. ExED utilized its \$36 million NMTC allocation for the creation of the Los Angeles Charter School New Markets Loan Fund (LACSNM) to provide construction and mini-permanent facilities loans to schools in low-income Los Angeles County communities. This first NMTC fund, designed specifically and solely for charter schools, employs a leveraged structure comprised of \$11 million in equity

and \$25 million in debt. The fund's loans to schools have seven-year terms, 25-year amortization periods and below-market interest rates due to NMTC benefits. Fund investors include Citigroup, City National, LIIF, LISC, Prudential Financial and Wells Fargo. In addition to providing loan monies, the Low Income Investment Fund serves as underwriter and loan servicer and provided \$1.3 million in ED credit enhancement grant monies to serve as a first-loss reserve. The Broad Foundation also made a \$2 million grant to subsidize interest expense for participating schools. The fund has closed financings totaling \$23 million for three projects with total costs of \$39 million that will support five schools and 2,900 students.

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### **Innovative Schools Development Corporation (ISDC)**

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**Website:** <http://www.innovativeschools.org>

**Market:** Delaware

In 2002, The Rodell Charitable Foundation of Delaware founded and provided start-up support to the Innovative Schools Development Corporation, a nonprofit organization dedicated to promoting charter schools in Delaware. ISDC provides services in the areas of new school development, operations and facilities management, planning and financing. In addition to providing guarantees for facilities loans for new construction, renovations and major capital improvements, ISDC assists schools with refinancing, debt structuring and minor capital improvements. ISDC has provided \$7 million in credit enhancement leveraging \$22 million in financing for six charter schools to date. In addition to The Rodell Charitable Foundation of Delaware, ISDC is supported by The Lynn and Foster Friess Family Foundation, MBNA America Bank, N.A., The Longwood Foundation and The Welfare Foundation.

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### **KIPP Foundation**

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**Website:** <http://www.kipp.org>

**Market:** Nationwide, KIPP and affiliated schools

*ED Credit Enhancement Award Total: \$6.8 million - Fiscal Year 2006*

The KIPP (Knowledge is Power Program) Foundation is a nonprofit charter school leadership development organization that supports a nationwide network of 52 charter and contract college preparatory schools. KIPP schools are located in under-resourced communities throughout the United States and currently serve 12,000 students. Nationally, nearly 80% of KIPP alumni have matriculated to college. More than 80% of KIPP students come from low-income families and more than 95% are African-American or Latino.

The KIPP Foundation will use its ED grant award, together with a 10% match from the D&DF Foundation, to create the KIPP Credit Enhancement Program (KCEP). KCEP will be available to support the facilities financing needs of charter schools within the KIPP network, as well as those of select affiliate schools led by school leaders who have graduated from KIPP's leadership programs. KCEP will offer a variety of credit enhancements to leverage \$40 million in facilities financing,

including, credit enhanced short-term construction lending provided by various national and local lenders for both owned and leased properties and affordable mini-permanent mortgages financed by Prudential Social Investments, with an identified long-term take-out source.

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### **NCB Capital Impact**

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**Website:** <http://www.ncbcapitalimpact.org>

**Market:** Nationwide

*ED Credit Enhancement Award Total: \$28 million - Fiscal Years 2001, 2003, 2004 and 2005 (\$10 million in Fiscal Year 2001 and 2004 grants were jointly awarded to NCB Capital Impact, The Reinvestment Fund, Inc. and FOUNDATIONS, Inc.; \$10 million Fiscal Year 2005 grant was jointly awarded to NCB Capital Impact and the California Charter Schools Association)*

*NMTC Allocation Total: \$129 million - Fiscal Years 2003 and 2005*

NCB Capital Impact (formerly NCB Development Corporation) provides technical assistance and access to capital for low- and moderate-income communities. Since 1997, NCB Capital Impact has originated \$155 million in facilities financing to 57 charter schools in 11 states and the District of Columbia. It provides loan monies for the acquisition, renovation, construction and leasehold improvement of charter school facilities, as well as technical assistance to charter school developers. NCB Capital Impact has also utilized \$48 million in NMTCs for charter school facilities in four states.

In 2002, NCB Capital Impact partnered with The Reinvestment Fund, Inc. and FOUNDATIONS, Inc. to create the Charter School Capital Access Program (CCAP) which finances facilities for charter schools in the Mid-Atlantic Region that enroll predominantly low-income populations or are located in predominantly low-income communities. NCB Capital Impact is utilizing \$6.4 million in ED grant monies to serve as a loan loss reserve for this \$45 million local fund. Loans typically range from \$500,000 to \$4.5 million and bear fixed interest rates, with terms ranging up to 15 years and amortizations of up to 20 years. The remaining \$3.6 million of this grant is used by NCB Capital Impact and TRF to support on-balance sheet construction lending to charter schools.

In 2005, NCB Capital Impact used \$4 million of an \$8 million grant from ED to establish another loan fund, The Enhancement Fund (TEF), in partnership with a major pension fund. This \$42 million fund is providing capital to charter school facilities projects in Florida, Georgia, Minnesota, Ohio and Wisconsin. TEF offers loans of up to \$8 million with terms of up to 25 years and fixed or variable interest rates. These loans may be used for acquisition, renovation, construction or leasehold improvement projects. NCB Capital Impact will use its most recent joint \$10 million ED grant award with the California Charter Schools Association to enhance \$100 million in financing for charter schools in California through the California Charter Building Fund. Loans through the fund will range in size from \$500,000 to \$10 million and will support acquisition, construction, renovation and leasehold improvements.

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## **NewSchools Venture Fund (NewSchools)**

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**Website:** <http://www.newschools.org>

**Market:** Nationwide

NewSchools Venture Fund is a venture philanthropy fund founded in 1998 that is working to transform public education by investing in education entrepreneurs who create high-quality ventures focused on results-oriented, systemic change. NewSchools has created three funds: 1) a \$20 million fund that supported both for-profit and nonprofit organizations focused on standards, accountability and choice; 2) a \$50 million fund that primarily fostered the growth of nonprofit charter school systems through investments in charter management organizations, back-office service providers and facilities solutions providers; and 3) a fund that is currently under development, which will help a growing cohort of CMOs produce stronger educational outcomes while also helping targeted urban districts become more performance-driven organizations. NewSchools' second fund, also known as the Charter Accelerator Fund, assisted 14 CMOs that collectively manage 100 schools and provided \$5.4 million in facilities support through investments in Civic Builders, EdBuild and Pacific Charter School Development. NewSchools is supported by various institutional and individual donors, including the Bill & Melinda Gates Foundation, The Broad Foundation and the Walton Family Foundation.

### **REAL ESTATE DEVELOPERS**

Nonprofit developers provide design, construction, project management and turnkey development services to charter schools. They then engage in either the lease or sale of the facilities to charter schools. Developers may additionally secure financing for development.

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## **Charter Schools Development Corporation**

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**Website:** <http://www.csdcc.org>

See "Charter Schools Development Corporation" under "Other Private Initiatives."

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## **Civic Builders**

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**Website:** <http://www.civicbuilders.org>

**Market:** New York City

Civic Builders was founded in 2002 as a nonprofit facilities developer for charter schools in New York City. The organization has developed or is in the process of developing \$100 million of real estate projects for New York City charter schools. In a majority of these projects, Civic Builders serves as owner and developer, leasing facilities to tenant charter schools. Civic Builders has completed projects for the Bronx Charter School for the Arts and the Bronx Lighthouse Charter School, both in the Hunts Point section of the Bronx. It is currently developing facilities for Achievement First Endeavor Charter School in Fort Greene, Brooklyn and the Carl C. Icahn Charter School in the Southeast Bronx, and it plans to develop an additional four sites in 2007. In addition to these projects,

Civic Builders served as project manager for the Excellence Charter School in Bedford-Stuyvesant, Brooklyn. Civic Builders is supported by a variety of philanthropic, government and nonprofit organizations.

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## **EdBuild**

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**Website:** <http://www.edbuild.org>

**Market:** Washington, D.C.

Created in 2005, EdBuild is an entrepreneurial nonprofit organization that works in partnership with school, community, parent and business leaders to create and sustain high-performing public schools in Washington, D.C. EdBuild helps traditional and charter public school leaders improve student achievement by tackling key academic and facility needs concurrently. EdBuild provides academic support around standards and data and manages both building modernizations and ongoing maintenance of public school buildings. In addition, EdBuild facilitates space sharing between charter schools and traditional public schools.

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## **Pacific Charter School Development (PCSD)**

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**Website:** <http://www.pacificcharter.org>

**Market:** California

Pacific Charter School Development was founded in 2003 and incubated by the NewSchools Venture Fund to serve as a nonprofit developer and landlord for high-quality charter schools. PCSD focuses its efforts on neighborhoods with schools that are chronically overcrowded, large and academically low-performing and that have high concentrations of low-income and at-risk students. PCSD finds, finances and retrofits and/or builds facilities and then leases them to charter schools with proven track records. Using contributed philanthropic equity, debt from mission-driven lenders and credit enhancements, PCSD finances these facilities at a cost significantly below that available to schools independently and passes the savings onto schools in the form of below-market rents. PCSD works with schools so that they eventually own the facilities, which allows it to recycle equity for the development of future schools. PCSD helped one of its charter management organization tenants arrange a tax-exempt bond offering to purchase its campus (scheduled to close in mid-2007). The organization has developed six campuses for eight schools to date, serving 3,300 students. It plans to develop 17 campuses for 25 schools that will serve 12,400 students over the next three years.

PCSD has received \$21 million in project equity support from the NewSchools Venture Fund, The Broad Foundation, the Walton Family Foundation and the Bill & Melinda Gates Foundation. It has also received \$1.6 million in aggregate operating support from the aforementioned foundations, together with the Ahmanson Foundation, the Weingart Foundation and the Doris & Donald Fisher Fund. The organization is currently in the process of raising an additional \$20 million for the development of new campuses to open in 2008 and 2009.

## PUBLIC-PRIVATE PARTNERSHIPS

### INDIANAPOLIS CHARTER SCHOOLS FACILITIES FUND

**Website:** <http://www.indygov.org/eGov/Mayor/Education/Charter/home.htm>

**Market:** Mayor-sponsored charter schools in Indianapolis

*ED Credit Enhancement Award Total: \$2 million - Fiscal Year 2005*

In 2005, the Indianapolis Mayor's Charter Schools Office and the Indianapolis Local Public Improvement Bond Bank (Bond Bank), in partnership with the Annie E. Casey Foundation, JPMorgan Chase Bank, N.A. (JPM) and LISC, developed a facilities loan program for Mayor-sponsored charter schools. The Bond Bank serves as a conduit, borrowing up to \$20 million from JPM and relending proceeds to individual schools. The City will attach its moral obligation pledge to all loans, thus pledging to seek an appropriation from the Indianapolis Marion County Council in the event of default by a participating school and providing schools access to tax-exempt debt at rates benefiting from the strength of the City's AAA credit rating. LISC and the Annie E. Casey Foundation have each provided a \$1 million guaranty, and the Bond Bank is providing an additional \$2 million in ED grant monies, to fund two reserves to further secure this debt, thereby reducing the City's moral obligation exposure. To date, the fund has closed a \$3.7 million loan with a 4.5% interest rate and a 25-year amortization period for the Indianapolis Lighthouse Charter School.

### MASSACHUSETTS CHARTER SCHOOL LOAN GUARANTEE FUND

**Website:** [http://www.massdevelopment.com/financing/lg\\_charterschools.aspx](http://www.massdevelopment.com/financing/lg_charterschools.aspx)

**Market:** Massachusetts

*ED Credit Enhancement Award Total: \$10 million - Fiscal Years 2003 and 2004*

With its \$10 million in ED grant funds, the Massachusetts Development Finance Agency (MassDevelopment) established the Massachusetts Charter School Loan Guarantee Fund. Created in partnership with and supported by the Massachusetts Charter School Association, the Massachusetts Department of Education Charter School Office, The Boston Foundation and LISC, the fund guarantees debt for the acquisition, construction, renovation and leasehold improvement of charter school facilities. The federal grant monies are matched by \$1 million from MassDevelopment, \$2.5 million from The Boston Foundation and \$2 million from LISC. To date, the fund has provided \$3 million in credit enhancement to leverage \$26 million in financing for seven schools.

## PUBLIC INITIATIVES

### FEDERAL PROGRAMS

The U.S. Department of Education offers federal grant funds for charter school facilities through programs administered by the Office of Innovation and Improvement, ED's entrepreneurial arm that makes strategic investments in innovative educational practices. In addition, there are four other federal programs that can be accessed for charter school facilities financing.

#### Credit Enhancement for Charter School Facilities Program

**Website:** <http://www.ed.gov/programs/charterfacilities/index.html>

**Statutory Reference:** <http://www.ed.gov/policy/elsec/leg/esea02/pg63.html>

This federal program provides grant funds on a competitive basis to public and nonprofit entities to develop innovative credit enhancement models that assist charter schools in leveraging capital from the private sector. Program funds may not be used for the direct purchase, lease, renovation, or construction of facilities. Instead, funds are to be used to attract other financing for such purposes. Examples include guarantee-

ing and insuring debt for charter school facilities; guaranteeing and insuring leases for personal and real property; assisting facilities financing by identifying potential lending sources, encouraging private lending and other similar activities; and establishing charter school facility "incubator" housing that new charter schools may use until they can acquire a facility on their own.

To date, the Credit Enhancement for Charter School Facilities Program (including its predecessor, the Charter School Facility Financing Demonstration Grant Program) has made awards totaling \$160.6 million in five competitive rounds. As of September 30, 2006, grantees from the first four rounds provided 138 charter schools with access to financing to help them acquire, build or renovate school facilities, leveraging \$407 million on behalf of these schools. The program has been effectively level-funded for Fiscal Year 2007 due to the continuing budget resolution passed by Congress, with applications due to ED's Office of Innovation and Improvement by April 2, 2007. The Administration has included \$37 million for this program in its Fiscal Year 2008 budget.

#### CREDIT ENHANCEMENT FOR CHARTER SCHOOL FACILITIES PROGRAM RECIPIENTS (\$ in Millions)

Recipient	2001	2003	2004	2005	2006	Total
America's Charter School Finance Corporation	\$4.96	\$-	\$-	\$-	\$-	\$4.96
California Charter Schools Association/NCB Capital Impact	-	-	-	10.00	-	10.00
Charter Schools Development Corporation	6.40	-	8.60	-	6.60	21.60
New Jersey Community Capital <sup>1</sup>	-	-	-	-	8.15	8.15
Department of Banking & Financial Institutions <sup>2</sup>	-	-	5.08	-	-	5.08
Illinois Facilities Fund	-	-	-	8.00	-	8.00
Indianapolis Local Public Improvement Bond Bank	-	-	-	2.00	-	2.00
KIPP Foundation	-	-	-	-	6.81	6.81
Local Initiatives Support Corporation	-	6.00	4.00	-	8.20	18.20
Low Income Investment Fund	3.00	-	-	-	-	3.00
Massachusetts Development Finance Agency	-	6.00	4.03	-	-	10.03
NCB Capital Impact/The Reinvestment Fund, Inc.	6.40	-	3.60	-	-	10.00
NCB Capital Impact	-	6.00	2.00	-	-	8.00
Raza Development Fund, Inc.	4.20	-	8.75	-	1.60	14.55
Self-Help	-	6.77	1.23	-	2.20	10.20
The Reinvestment Fund, Inc.	-	-	-	10.00	-	10.00
Texas Public Finance Authority	-	-	-	6.94	3.06	10.00
<b>Total</b>	<b>\$24.96</b>	<b>\$24.77</b>	<b>\$37.29</b>	<b>\$36.94</b>	<b>\$36.62</b>	<b>\$160.58</b>

Source: EFFC, U.S. Department of Education

<sup>1</sup> New Jersey Community Capital is the registered trade name of Community Loan Fund of New Jersey, the award recipient.

<sup>2</sup> The program funded with this award is administered by the District of Columbia's State Education Office.

## STATE CHARTER SCHOOL FACILITIES INCENTIVE GRANTS PROGRAM RECIPIENTS (\$ in Millions)

Jurisdiction	Agency or Department	2004	2005	2006	Total
California	California School Finance Authority	\$9.85	\$9.85	\$9.85	\$29.55
Minnesota	Minnesota Department of Education	5.00	4.00	2.21	11.21
Utah	Utah State Office of Education	2.79	2.38	1.66	6.83
Washington, D.C.	District of Columbia Public Schools	1.06	0.72	1.06	2.84
<b>Total</b>		<b>\$18.70</b>	<b>\$16.95</b>	<b>\$14.78</b>	<b>\$50.43</b>

Source: EFFC, U.S. Department of Education

### State Charter School Facilities Incentive Grants Program

**Website:** <http://www.ed.gov/programs/statecharter/index.html>

**Statutory Reference:** <http://www.ed.gov/policy/elsec/leg/esea02/pg62.html#5205b>

Created under section 5205(b) of the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001 (NCLB), this federal program provides funds on a declining matching basis to select states with per pupil facilities aid programs for charter schools. The program is designed to encourage states to develop and expand per pupil facilities aid programs and to share in the costs associated with charter school facilities funding. To be eligible, a state's program must be specified in state law and provide annual funding on a per pupil basis for charter school facilities. ED provides grants with a maximum term of five years, and the maximum federal share of the cost of establishing, or enhancing, and administering the program decreases each year as follows:

- 90% in the first year;
- 80% in the second year;
- 60% in the third year;
- 40% in the fourth year; and
- 20% in the fifth year.

States may reserve up to 5% of their grants to carry out evaluations, provide technical assistance and disseminate information. Priority is given to states that provide for periodic review and evaluation by the charter authorizer at least once every five years and that perform all of the following: demonstrate progress in increasing the number of high-quality charter schools; provide for a charter authorizer that is not a local educational agency (or, if local educational agencies are the only authorized public chartering agencies, allow for an appeals process); and ensure that charter schools have a high degree of autonomy over their budgets and expenditures.

The program is funded in two ways: 1) through direct appropriation; or 2) from overflow from the Public Charter Schools Program (PCSP). When the appropriation for the PCSP exceeds \$200 million but totals less than \$300 million, funds that exceed \$200 million are allocated to the State Charter School Facilities Incentive Grants Program. If funds in excess of \$300 million are appropriated, 50% of the excess must be used for this per pupil facility financing program.

In 2004, \$18.7 million was appropriated for first-year grants. Grants were awarded to three states and the District of Columbia. In 2005 and 2006, appropriations of \$17 million and \$14.8 million, respectively, were awarded as second- and third-year continuation grants for the 2004 recipients. All of these appropriations were from overflow from the PCSP. Because of the program's structure, it has been significantly affected by across-the-board budget cuts in 2005 and 2006. While these cuts were in the 1% range for the PCSP as a whole, because they are borne entirely by the State Charter School Facilities Incentive Grants Program, they have represented between 10% to 20% of the program's funding.

### Federal Emergency Management Agency's (FEMA) Public Assistance (PA) Grant Program

**Website:** <http://www.fema.gov/government/grant/pa/index.shtm>

**Statutory Reference:** [http://www.access.gpo.gov/uscode/title42/chapter68\\_.html](http://www.access.gpo.gov/uscode/title42/chapter68_.html) (Subchapter I to Subchapter V) and [http://www.fema.gov/government/grant/pa/9521\\_5.shtm](http://www.fema.gov/government/grant/pa/9521_5.shtm) (Recovery Policy 9521.5 - Eligibility of Charter Schools)

In June 2006, charter schools became eligible for funding through FEMA's PA Grant Program, which provides assistance to states, local governments and certain nonprofit organizations to alleviate suffering and hardship resulting from major disasters or emergencies declared by the President. Through the PA Grant Program, FEMA provides supplemental federal disaster grant assistance that reimburses eligible entities for costs associated with the repair, replacement or restoration of disaster-damaged, publicly owned facilities and the facilities of certain private nonprofit organizations. The federal share of assistance is not less than 75% of the eligible cost for emergency measures and permanent restoration. State and local governments typically share the costs that

FEMA does not fund; however, charter schools traditionally cover these costs themselves.

Program funds are authorized by FEMA based on applicant cost estimates and distributed to states. For large projects (defined to be \$54,100 or more), funds are paid to applicants, including charter schools, on a cost reimbursement basis. For smaller projects, the state transfers funds to applicants as soon as the federal funds are obligated to the state. The state share of funding, when applicable, is paid to applicants upon project completion.

Eligible projects are those that fall within the following categories: debris removal; emergency protective measures; road systems and bridges; water control facilities; buildings, contents and equipment; utilities; and other public facilities, such as parks and recreational facilities.

### New Markets Tax Credit Program

**Website:** [http://www.cdfifund.gov/what\\_we\\_do/programs\\_id.asp?programID=5](http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5)

**Statutory Reference:** [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=browse\\_usc&docid=Cite:+26USC45D](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=browse_usc&docid=Cite:+26USC45D) (Section 45D)

Congress created the New Markets Tax Credit Program in 2000 to encourage capital investment in low-income communities. The program is designed to generate \$16 billion in new private sector investment through the provision of a tax credit of 39 cents over seven years for each qualified equity dollar invested in designated Community Development Entities (CDEs). Substantially all of the qualified equity

investment must in turn be used by CDEs to make investments in low-income communities. As of June 2006, the NMTC Program broadened its scope by allowing CDEs to invest in businesses located outside of low-income areas provided the businesses are owned by, hire significant numbers of, or predominately serve low-income persons. In addition, the program now serves persons who have suffered as a result of Hurricane Katrina. In December 2006, Congress passed the Tax Relief and Health Care Act of 2006, which extended the program for an additional year through 2008.

To date, \$12.1 billion of tax credit allocation authority has been awarded in four rounds through a competitive process administered by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury. The CDFI Fund will award \$3.9 billion in a fifth round of the program in the fall of 2007. NMTCs may be utilized in a wide range of qualified business activities, from small business lending to financial counseling to real estate development. Eligible real estate development projects encompass community facilities, including those for charter schools.

With NMTC financing, CDEs can make equity investments in, or loans to, charter schools for facilities projects in qualifying low-income census tracts. Benefits can include reduced interest rates, seven-year terms, longer amortization periods or no principal amortization, and debt cancellation. A number of NMTC allocatees have included charter school facilities projects as one of the proposed uses of their tax credits, including the recipients in the table below.

### NMTC PROGRAM RECIPIENTS POTENTIALLY UTILIZING ALLOCATIONS FOR CHARTER SCHOOLS<sup>1</sup> (\$ in Millions)

Application Fiscal Year	2002	2003	2004	2005	Total
Boston Community Capital, Inc.	\$-	\$70.0	\$-	\$60.0	\$130.0
Charter Schools Development Corporation	-	-	40.0	-	40.0
Chase New Markets Corporation	-	-	75.0	50.0	125.0
Citibank NMTC Corporation	-	-	-	100.0	100.0
Excellent Education Development, Inc.	36.0	-	-	-	36.0
Illinois Facilities Fund	10.0	-	-	-	10.0
Local Initiatives Support Corporation	65.0	-	90.0	140.0	295.0
Merrill Lynch Community Development Company	-	-	-	93.0	93.0
NCB Capital Impact	-	75.0	-	54.0	129.0
New Jersey Community Capital	15.0	-	-	-	15.0
PNC Community Partners, Inc.	-	-	-	75.0	75.0
Revolution Community Ventures, LLC	-	-	-	35.0	35.0
Self-Help	75.0	-	95.0	-	170.0
The Reinvestment Fund, Inc.	-	38.5	-	75.0	113.5
Wachovia Community Development Enterprises, LLC	150.0	-	-	143.0	293.0
<b>Total</b>	<b>\$351.0</b>	<b>\$183.5</b>	<b>\$300.0</b>	<b>\$825.0</b>	<b>\$1,659.5</b>
<b>Total Allocated</b>	<b>\$2,500.0</b>	<b>\$3,500.0</b>	<b>\$2,000.0</b>	<b>\$4,100.0</b>	<b>\$12,100.0</b>

Source: EFFC, CDFI Fund

<sup>1</sup> Figures represent recipients' total allocations, all or a part of which may be used to finance charter school facilities.

## Qualified Zone Academy Bond (QZAB) Program

**Website:** <http://www.ed.gov/programs/qualifiedzone/index.html>

**Statutory Reference:** [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=browse\\_usc&docid=Cite:+26USC1397E](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=browse_usc&docid=Cite:+26USC1397E) (Section 1397E)

The QZAB Program was created by the Federal Taxpayer Relief Act of 1997, which added Section 1397E to the Internal Revenue Code to help eligible public schools raise funds to rehabilitate and repair their facilities, purchase equipment, develop course materials and train teachers and other school personnel. QZAB proceeds may not be used for new construction. The federal government allocates the authority to issue these bonds to states based on their proportion of the United States population living below the poverty line, and the Internal Revenue Service publishes state allocations for each year. Individual states determine which portion of their allocations, if any, may be used by charter schools. States may issue bonds directly on behalf of eligible schools or they may sub-allocate such authority.

Through the program, the federal government provides a tax credit in lieu of the interest payable on the bonds. The borrower is then responsible for repaying only the principal amount of the QZAB, significantly reducing the cost of financing. The national cap on the amount of these bonds was \$400 million annually from 1998 to 2005. Through the Tax Relief and Health Care Act of 2006, which was passed in December 2006, Congress extended the program to 2007, providing for an additional \$400 million in issuance authority annually in 2006 and 2007.

To be eligible for the QZAB Program, a school must be located in an Empowerment Zone or Enterprise Community or have a student body in which at least 35% of students are eligible for the federal free and reduced-price lunch program. In addition, the school must develop a partnership with a business or other private entity that makes a contribution to the school worth at least 10% of the principal amount borrowed using the QZAB. Schools that benefit from QZABs are also required to have a comprehensive education plan that is approved by

their local school district and in which students are subject to the same standards and assessments as other students in the district. QZABs have been employed on behalf of charter schools in several jurisdictions, including Arizona, California, Massachusetts, Michigan, Wisconsin and Washington, D.C.

## United States Department of Agriculture (USDA) Rural Development's Community Programs

**Website:** <http://www.rurdev.usda.gov/rhs/cf/cp.htm>

**Statutory Reference:** [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=browse\\_usc&docid=Cite:+7USC1926](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=browse_usc&docid=Cite:+7USC1926) (Section 1926)

Authorized by Section 306 of the Consolidated Farm and Rural Development Act of 1972, as amended (7 U.S.C. 1926), the USDA Rural Development's Community Programs provides loans, guarantees and grants for essential community facilities in rural areas and towns of up to 20,000 in population. These facilities include libraries, hospitals, assisted living facilities, fire and rescue stations, community centers and schools, including charter schools. Program funds are available to public entities as well as to nonprofit organizations. Applicants must have the legal authority to borrow and repay loans, pledge security for loans and construct, operate and maintain facilities. Loan repayment must be based on tax assessments, revenues, fees or other sources of funds sufficient for operation and maintenance, reserves and debt retirement.

The program provides guarantees of up to 90% for traditional lenders, such as commercial banks, savings and loans and certain regulated insurance companies. The program also makes direct loans to applicants that are unable to obtain affordable financing, with interest rates set according to the median household income of the area, ranging from 4.5% for areas of high poverty to market rate, and repayment terms of up to 40 years. Both guaranteed and direct loan funds may be used for construction, renovation and improvement of facilities as well as refinancing under certain conditions. The program's grant funding is typically used to fund projects under special initiatives, such as Native

### USDA RURAL DEVELOPMENT'S COMMUNITY PROGRAMS CHARTER SCHOOL FINANCING SUMMARY (\$ in Millions)

Year	LOANS		GUARANTEES		GRANTS		TOTAL	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
2001	1	\$0.60	3	\$6.82	—	\$—	4	\$7.42
2002	4	4.40	7	8.63	—	—	11	13.03
2003	4	3.85	8	11.50	—	—	12	15.35
2004	3	4.53	9	14.10	1	0.15	13	18.78
2005	12	24.50	5	8.39	—	—	17	32.89
2006	9	9.42	2	5.60	—	—	11	15.02
2007 <sup>1</sup>	—	—	1	1.45	1	0.25	2	1.70
<b>Total</b>	<b>33</b>	<b>\$47.30</b>	<b>35</b>	<b>\$56.49</b>	<b>2</b>	<b>\$0.40</b>	<b>70</b>	<b>\$104.19</b>

Source: EFFC, USDA Rural Development

<sup>1</sup> Through February 2007.

American community development efforts and federally designated Enterprise and Champion Communities. Highest priority for these grants is given to projects serving communities with populations of 5,000 or less and with median household incomes below the higher of the poverty line or 60% of the state's non-metropolitan median household income. To date, Community Programs has provided loans, guarantees and grants totaling \$104.2 million for charter school projects in 13 states.

## STATE PROGRAMS

The following jurisdictions have charter legislation, with roughly half authorizing publicly funded per pupil allocations, grants, loans or some form of credit enhancement for charter school facilities. In addition, numerous states allow charter schools to issue tax-exempt debt through public or quasi-public conduit issuers or to access their Qualified Zone Academy Bond programs. Unless otherwise stated, ongoing funding programs are subject to periodic appropriation (normally annually or bi-annually) by the relevant appropriating body.

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### Alaska

#### Alaska Municipal Bond Bank Authority (AMBBA) Conduit Financing

**Website:** <http://www.revenue.state.ak.us/treasury/ambba>

**Statutory Reference:** <http://www.legis.state.ak.us/cgi-bin/folioisa.dll/stattx06/query=44!2E85/doc/{@18370}> (Chapter 44.85)

Alaska charter schools are eligible through their local municipalities to access tax-exempt financing through the Alaska Municipal Bond Bank Authority. AMBBA is a public corporation that was established in 1975 to assist Alaska municipalities in financing capital improvement projects such as schools, water and sewer systems, public buildings, harbors and docks. To date, no charter schools have accessed financing through AMBBA.

#### QZAB Program

Charter schools in Alaska are not prohibited from participation in the State's QZAB program.

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### Arizona

#### Per Pupil Allocation

**Statutory Reference:** <http://www.azleg.state.az.us/FormatDocument.asp?inDoc=/ars/15/00185.htm&Title=15&DocType=ARS> (Section (B)(4))

Pursuant to Arizona's 1994 charter legislation, charter schools receive a per pupil allocation called "equalization assistance," which consists of a base support level and "additional assistance." State legislation stipulates that "equalization assistance" is provided as a single amount based on student population without categorical distinctions between maintenance and operations or capital. Therefore, grant monies can be used for anything from teacher salaries to transportation to facility construction. The amount of the "additional assistance" component is currently \$1,387 per pupil in kindergarten through grade eight and \$1,617 per pupil in grades nine through twelve.

#### Conduit Financing

**Statutory Reference:** <http://www.azleg.gov/ArizonaRevisedStatutes.asp?Title=35> (Chapter 5)

Charter schools may apply for bond financing through various city and county industrial development authorities in Arizona, which act as intermediaries between charter school borrowers and bondholders.

#### QZAB Program

**Website:** <http://www.ade.az.gov/schoolfinance/Memos/QZABPacket>

Arizona charter schools are eligible to access financing through the State's QZAB program, which is administered by the Arizona Department of Education's School Finance Unit. To date, \$1.5 million has been issued on behalf of three charter schools.

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### Arkansas

With regard to charter school facilities, Arkansas distinguishes between conversion charter schools and open-enrollment charter schools. Conversion charter schools may apply for the same forms of state financial assistance for facilities as traditional public schools. Open-enrollment charter schools do not receive state financial aid for facilities.

#### QZAB Program

Open-enrollment charter schools are not eligible to participate in the State's QZAB program.

## California

### Charter School Facility Grant Program (SB 740)

**Website:** <http://www.cde.ca.gov/sp/cs/as/facgrntoc.asp>

**Statutory Reference:** <http://leginfo.ca.gov/cgi-bin/displaycode?section=edc&group=47001-48000&file=47610-47615> (Section 47614.5)

Established in 2001, this program provides an annual appropriated reimbursement of up to \$750 per pupil for up to 75% of actual facilities rental and lease costs. A charter school is eligible only if it operates a classroom-based instructional program and is located in an elementary school attendance area or has a student population of which at least 70% is eligible for the federal free and reduced-price lunch program.

### Charter Schools Facilities Program (CSFP)

**Website:** <http://www.opsc.dgs.ca.gov/CSFPProgram/Default.htm>

**Statutory Reference:** <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=edc&group=17001-18000&file=17078.52-17078.66>

In 2002, California created the Charter Schools Facilities Program, a pilot program authorizing the State Allocation Board (SAB) to provide per pupil facilities grant funding for 50% of the total project cost for new construction of charter school facilities. The CSFP was initially provided with \$100 million in bond funding through Proposition 47, which was approved by voters in November 2002. In March 2004, Proposition 55 provided an additional \$300 million in bond funding, and in November 2006, Proposition 1D provided an additional \$500 million. The CSFP was also expanded in 2006 to allow grant funding to be used for rehabilitation of existing, district-owned facilities that are at least 15 years old for use by charter schools.

CSFP funding is only available to charter schools that provide site-based instruction for at least 80% of the time and that are determined to be financially sound by the California School Finance Authority. In addition, the grant funding requires a 50% local match. The State provides a lease option whereby the school can borrow from the State in lieu of raising matching funds. Grant awards are made in the form of preliminary apportionments (i.e., reservation of funds) which must be converted within a four-year period to adjusted grant apportionments. The first \$100 million in funding was awarded to six applicants in July 2003, and the \$300 million provided through Proposition 55 was awarded to 28 applicants in February 2005. Lease/loan payments for the 2003 awardees were estimated by the California School Finance Authority using a 3% interest rate and a 30-year term, while those for the 2005 awardees were estimated using a 4.5% interest rate and a 30-year term.

### State Charter School Facilities Incentive Grants Program

**Website:** <http://www.ed.gov/programs/statecharter/awards.html>

In 2004, the State of California received a first-year grant of \$9.9 million from ED's State Charter School Facilities Incentive Grants Program. In the following two years, the State received an additional \$9.9 million annually as second- and third-year continuation grants for a total of \$29.6 million awarded to date. Grants awarded through this program will be used to expand the State's Charter Schools Facilities Program.

### Charter School Revolving Loan Fund

**Website:** <http://www.cde.ca.gov/sp/cs/as/csrevloantoc.asp>

**Statutory Reference:** <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=edc&group=41001-42000&file=41360-41367> (Sections 41365 to 41367)

California charter schools can apply directly or jointly with their charter authorizing entities to the California Department of Education for low-interest loans from the State's Charter School Revolving Loan Fund for purposes established in their charters. This fund was established in 1996 and is available to non-conversion charter schools that have not yet had their charters renewed and are not more than five years old. Priority is given to new charter schools using the funds for start-up expenses. A charter school may receive multiple loans as long as the total amount does not exceed \$250,000, and loans must be repaid within five years. Funds may be used for, but are not limited to, leasing and renovating facilities. Loans carry a fixed interest rate that is generally several percentage points below rates provided by private lenders. For the State's 2006-2007 fiscal year, \$6 million was available through this program.

### Proposition 39

**Statutory Reference:** <http://leginfo.ca.gov/cgi-bin/displaycode?section=edc&group=47001-48000&file=47610-47615> (Section 47614)

This California mandate, which passed in the November 2000 general election, stipulates that students who attend a charter school in their district have facilities that are "sufficient" and "reasonably equivalent" to other schools in the district.

### California Municipal Finance Authority (CMFA) Conduit Financing

**Website:** <http://www.cmfa-ca.com>

**Statutory Reference:** <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=gov&group=06001-07000&file=6500-6536> and <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=gov&group=06001-07000&file=6540-6579.5>

The California Municipal Finance Authority is a joint powers authority created to support economic development, job creation and social programs throughout the State of California while giving back to California communities. The CMFA contributes directly to the health and welfare of the California communities in which it operates by sharing 25% of the issuance fees on a transaction with the sponsoring municipality and by

providing a grant equal to another 25% of the issuance fees to the California Foundation for Stronger Communities to fund charities located within the sponsoring community. Charter schools in California are eligible to access tax-exempt financing through the CMFA for their facilities projects. In June 2006, the CMFA closed one offering totaling \$25.5 million for American Heritage Education Foundation, the parent company of Escondido Charter High School (ECHS) and Heritage K-8 Charter School; proceeds from the issuance were used for the construction of a new community theater, gymnasium and warehouse space for ECHS and to refinance existing, higher-interest ECHS debt.

### **California Statewide Communities Development Authority (California Communities) Conduit Financing**

**Website:** <http://www.cacommunities.com>

**Statutory Reference:** <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=gov&group=06001-07000&file=6500-6536> and <http://www.leginfo.ca.gov/cgi-bin/displaycode?section=gov&group=06001-07000&file=6540-6579.5>

Charter schools in California also have access to tax-exempt bond financing for their facilities needs through the California Statewide Communities Development Authority, which is a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. California Communities was created to provide local governments and private nonprofit entities access to tax-exempt financing for projects that create jobs, help communities prosper and improve the quality of life in California. To date, California Communities has completed three charter school facilities financings, including two for Aspire Public Schools totaling \$30 million and one for Natomas Charter School in Sacramento for \$1.8 million.

### **QZAB Program**

**Website:** <http://www.cde.ca.gov/ls/fa/qz>

The State's QZAB program is administered by the California Department of Education's School Facilities Planning Division. Charter schools are eligible to apply either directly or through the districts in which they are located.

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## **Colorado**

### **Charter Schools Capital Construction Funding**

**Website:** <http://www.cde.state.co.us/cdefinance/CapConstCharterScls.htm>

**Statutory Reference:** <http://198.187.128.12/colorado/lpext.dll?f=templates&fn=fs-main.htm&2.0> (Colorado Statutes => Title 22 Education => Article 54 Public School Finance Act of 1994 => Section 22-54-124)

Pursuant to Colorado's Public School Finance Act, charter schools are entitled to per pupil facilities aid from the State education fund for capital construction. A charter school will receive capital construction funding if it is not located in a district facility and it has capital construction needs. Eligible uses include the construction, demolition, remodeling,

financing and purchase or lease of land, buildings or facilities for charter schools. Current legislation stipulates that \$5 million in State education fund monies will be appropriated for this per pupil facilities program through Fiscal Year 2007-2008, with the exception of Fiscal Year 2006-2007, when \$7.8 million was appropriated. This funding has declined on a per pupil basis over the last few years from a high of \$327 per pupil in Fiscal Year 2002-2003 to a low of \$145 per pupil in Fiscal Year 2005-2006, as the number of students in Colorado charter schools has increased. The allowance for Fiscal Year 2006-2007 was \$200 per pupil. This funding is appropriated to the Department of Education's Public School Finance Unit, which makes lump sum payments to eligible school districts and institute charter schools. School districts are responsible for distributing funding to charter schools.

### **Moral Obligation Provision**

**Statutory Reference:** <http://198.187.128.12/colorado/lpext.dll?f=templates&fn=fs-main.htm&2.0> (Colorado Statutes => Title 22 Education => Article 30.5 Charter Schools => Sections 22-30.5-407 and 408)

In May 2002, the Colorado legislature passed the School Finance Act, which, among other features, included a "moral obligation" clause. This clause allows any Colorado charter school that carries an investment-grade rating to attach the State's moral obligation pledge to its debt. With this pledge, the State agrees to seek an appropriation to pay debt service in the event that a charter school defaults, thus providing significant additional security to the end lender or bondholder. To protect itself, the State appropriated \$1 million for a reserve fund that, if tapped, would be replaced by future charter school appropriations. If a charter school chooses to use the moral obligation pledge, it must place a portion of the debt service savings (from the lower interest rate due to this enhancement) into a common reserve fund, which provides liquidity to fend against defaults.

### **School District Bond Election Inclusion & Mill Levy Provisions**

**Statutory Reference:** <http://198.187.128.12/colorado/lpext.dll?f=templates&fn=fs-main.htm&2.0> (Colorado Statutes => Title 22 Education => Article 30.5 Charter Schools => Sections 22-30.5-404 and 405)

The Colorado Charter School Capital Facilities Financing Act of 2002 encourages each school district considering submitting a bond approval request to district voters to voluntarily include a charter school's capital construction funding needs in its request. A charter school may also request to be included in its school district's bond approval request. A school district, on a charter school's behalf, may also submit a ballot question for approval of a special mill levy solely for its facilities. The Act also requires that any charter school capital construction financed with bond revenues not be encumbered with any additional debt.

A charter school must submit a capital construction plan to the board of education of its school district for the board to determine the priority of the charter school capital construction need in relation to the capital construction needs of the entire district. If the board determines that a charter school has established capital construction needs, a need to incur bonded indebtedness or obtain revenues from a special mill levy and a viable plan, the board may either include it in the district's bond approval request to district voters or submit a separate special mill levy question to voters. If the board determines otherwise, it may still submit a special mill levy ballot question to voters upon a charter school's request solely for the school's facilities. If district voters approve the mill levy, which may not exceed 1 mill or 10 years in duration, taxes will be levied, and the charter school will receive the revenues generated from the levy.

Six school districts have included charter school requests in their ballot questions. Boulder Valley School District included \$10 million for four charter schools in its \$298 million 2006 ballot question. Jefferson County School District included \$13 million for 12 charter schools in its \$250 million 2004 ballot question. Denver Public Schools included \$17 million for charter schools in its \$300 million 2003 ballot question. Pueblo County School District included funding for three charter schools operating in district facilities in its \$104 million 2002 ballot question, and prior to passage of the law, the Eagle County School District included a \$1.1 million request for Eagle County Charter Academy. To date, four ballot questions have been placed in front of voters exclusively on behalf of charter schools, none of which were successful.

#### **Colorado Educational and Cultural Facilities Authority (CECFA) Conduit Financing**

**Website:** <http://www.cecfa.org>

**Statutory Reference:** <http://198.187.128.12/colorado/lpext.dll?f=templates&fn=fs-main.htm&2.0> (Colorado Statutes => Title 23 Higher Education and Vocational Training => Art. 15 Colorado Educational and Cultural Facilities Authority => Sections 23-15-101 to 23-15-131)

In Colorado, tax-exempt bond financing may be issued for charter schools through the Colorado Educational and Cultural Facilities Authority. CECFA provides financing for charter schools, colleges, universities, certain secondary schools and other educational institutions, as well as cultural entities.

#### **QZAB Program**

Colorado charter schools are eligible to receive financing through the State's QZAB program. A charter school must apply through its local education agency, which would secure financing on the school's behalf. To date, no charter schools have applied for QZAB financing.

## **Connecticut**

#### **Facility Grant**

**Statutory Reference:** [http://search.cga.state.ct.us/dtsearch\\_pub\\_statutes.html](http://search.cga.state.ct.us/dtsearch_pub_statutes.html) (Section Numbers: 10-66hh and 10-66jj in Database: Statutes - Section Text (1/1/07))

In 2001, Connecticut enacted legislation and appropriated funds for Fiscal Years 2002 and 2003 for a program to assist charter schools with capital expenses. The program, which is administered by the State Department of Education, initially provided one-time facilities grants of up to \$500,000 to charter schools that had their charters renewed in the preceding fiscal year. Eligible uses include renovation, construction, purchase, extension, replacement or major alteration, general school building improvements and repayment of debt from prior school building projects. The legislation was amended in 2003 to extend the program through Fiscal Year 2004, but the program was not renewed the following year.

The Connecticut General Assembly renewed the program in 2005 for Fiscal Years 2006 and 2007 and made several modifications to the enabling legislation. The language limiting charter schools to a single grant up to \$500,000 was eliminated and the eligibility restriction to schools with charters renewed in the preceding year was removed. The Commissioner of Education is also now required to give preference to applications that include matching funds from non-state sources. To fund the program, the State Bond Commission was given the power to authorize the issuance of up to \$10 million. Of this total, \$5 million was authorized for 11 charter school facilities projects in Fiscal Year 2006. The State Bond Commission had not yet authorized bonding for Fiscal Year 2007.

#### **Connecticut Health and Educational Facilities Authority (CHEFA) Conduit Financing**

**Website:** <http://www.chefa.com>

**Statutory Reference:** [http://search.cga.state.ct.us/dtsearch\\_pub\\_statutes.html](http://search.cga.state.ct.us/dtsearch_pub_statutes.html) (Section Numbers: 10a-176 to 10a-199 in Database: Statutes - Section Text (1/1/07))

The Connecticut Health and Educational Facilities Authority was created in 1965 to serve as a conduit issuer of tax-exempt debt for eligible health, educational and cultural nonprofit organizations in Connecticut. Charter schools may access loans for their facilities needs through CHEFA's Charter School Loan Program. With funding from its reserves, the Authority provided over \$1.7 million in loans to 12 charter schools through this program from 1997 to 2003. These loans had an interest rate of 5.9% and a maximum term of five years.

#### **QZAB Program**

Charter schools in Connecticut are eligible to access the State's QZAB program, which is administered by the Connecticut State Department of Education's Division of Finance and Internal Operations.

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## Delaware

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### Delaware Economic Development Authority (DEDA)

#### Conduit Financing

##### Website:

<http://dedo.delaware.gov/information/databook/financing.shtml#bond>

**Statutory Reference:** <http://www.delcode.state.de.us/title29/c050/sc04/index.htm#TopOfPage> (Sections 5051 to 5068)

Charter schools in Delaware are eligible to access tax-exempt bond financing through the Delaware Economic Development Authority, which provides statewide financial assistance to new or expanding businesses, governmental units and certain organizations that are exempt from federal income tax.

#### County Conduit Financing

##### Statutory References:

**Kent County:** [http://www.e-codes.generalcode.com/codebook\\_frameset.asp?t=tc&p=1751%2D030%2Ehtm&cn=59&n=\[1\]\[2\]](http://www.e-codes.generalcode.com/codebook_frameset.asp?t=tc&p=1751%2D030%2Ehtm&cn=59&n=[1][2])  
(State Index: Delaware => Kent County => Contents (Code of Kent County, Delaware) => Part I, Administrative Legislation => Chapter 30 Economic and Maritime Development, Office of)

**New Castle County:** <http://www.municode.com/resources/gateway.asp?pid=11287&sid=8> (Chapter 14 => Article 8 Financing through Revenue Bonds => Sections 14.08.201 to 14.08.215)

**Sussex County:** <http://www.delcode.state.de.us/title9/index.htm#TopOfPage> (Chapter 70 => Section 7002(t))

As nonprofit entities, Delaware charter schools also have access to the tax-exempt bond market through the county in which they reside, which functions as the conduit issuer. To date, at least two charter schools have successfully issued tax-exempt bonds at the county level, including most recently Newark Charter School, which issued \$15 million in bonds through New Castle County.

#### QZAB Program

Charter schools are not prohibited from participation in the State's QZAB program; however, none have applied to date.

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## Florida

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### Charter School Capital Outlay Funding

**Website:** <http://www.firn.edu/doe/oef/chartsub.htm>

**Statutory Reference:** [http://www.flsenate.gov/Statutes/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=Ch1013/SEC62.HTM&Title=-%3E2006-%3ECh1013-%3ESection%2062#1013.62](http://www.flsenate.gov/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch1013/SEC62.HTM&Title=-%3E2006-%3ECh1013-%3ESection%2062#1013.62)

In Florida, eligible charter schools have been provided with an appropriated per pupil facilities allocation of Charter School Capital

Outlay funding since 1998. To be eligible, a charter school must meet the following criteria:

- 1) have been in operation for at least three years, be an expanded feeder chain of a charter school within the same school district that is currently receiving Charter School Capital Outlay funding, or have been accredited by the Commission on Schools of the Southern Association of Colleges and Schools;
- 2) have financial stability for future operation as a charter school;
- 3) have satisfactory student achievement based on state accountability standards;
- 4) have received final approval from its sponsor for operation during that fiscal year; and
- 5) serve students in facilities that are not provided by the charter school's sponsor.

Funds are distributed monthly and may be used for the purchase of real property; construction; purchase, lease-purchase or lease of permanent or relocatable school facilities; purchase of vehicles for student transportation; and renovation, repair and/or maintenance of school facilities that the charter school owns or is purchasing through a lease-purchase or long-term lease of five years or longer. The program has been funded at a percentage of projected charter school student enrollment multiplied by 1/15th of the cost per student station as specified in Florida Statute 1013.64(6)(b) for an elementary, middle or high school student, with the percentage determined by the amount appropriated. In 2006, the Florida legislature established priorities for future capital outlay funding whereby schools receiving funding in Fiscal Year 2005-2006 receive first priority at the same per pupil rate for the lesser of their current enrollment or their enrollment for Fiscal Year 2005-2006. Fund distributions are made monthly by the Office of Educational Facilities at the Florida Department of Education. In Fiscal Year 2005-2006, \$27.7 million was appropriated and allocated to 202 charter schools, at an annualized monthly distribution average of \$374, \$429 and \$567 per elementary, middle and high school student, respectively. In Fiscal Year 2006-2007, \$53.1 million has been appropriated for the program.

#### Two Mill Tax Levy

**Statutory Reference:** [http://www.flsenate.gov/statutes/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=Ch1011/SEC71.HTM&Title=-%3E2006-%3ECh1011-%3ESection%2071#1011.71](http://www.flsenate.gov/statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch1011/SEC71.HTM&Title=-%3E2006-%3ECh1011-%3ESection%2071#1011.71)

At its discretion, a Florida school board may levy up to two mills for district schools, including charter schools, for the construction, renovation, remodeling, maintenance and repair of educational facilities; the purchase, lease or lease-purchase of equipment, vehicles, educational facilities and construction materials directly related to the delivery of student instruction; and the rental or lease of educational facilities. Funds raised from the two mill levy are administered by the school district in which they are raised.

## Educational Impact Fees

**Statutory Reference:** [http://www.flsenate.gov/statutes/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=Ch1002/SEC33.HTM&Title=-%3E2006-%3ECh1002-%3ESection%2033#1002.33](http://www.flsenate.gov/statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch1002/SEC33.HTM&Title=-%3E2006-%3ECh1002-%3ESection%2033#1002.33)  
(Section (18)(f))

To the extent that charter school facilities are created specifically to address population increases from new residential dwellings, some or all of the educational impact fees required to be paid in connection with the new residential dwellings may be designated for the construction of charter school facilities.

## Conduit Financing

**Statutory Reference:** [http://www.flsenate.gov/Statutes/index.cfm?App\\_mode=Display\\_Statute&Search\\_String=&URL=Ch0159/PART02.HTM](http://www.flsenate.gov/Statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch0159/PART02.HTM)  
(Sections 159.25 to 159.431)

The Florida Industrial Development Financing Act of the Florida Statutes authorizes any county or municipality to issue tax-exempt industrial development revenue bonds to finance the cost of eligible projects, including facilities owned and operated by charter schools.

## QZAB Program

Charter schools in Florida are not eligible to receive financing through the State's QZAB program.

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## Georgia

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### Facilities Fund for Charter Schools

**Statutory Reference:** <http://w3.lexisnexis.com/hottopics/gacode/Default.asp?loggedIn=done> (Georgia Code => Title 20 Education => Chapter 2 Elementary and Secondary Education => Article 31 => Section 20-2-2068.2)

In 2004 amendments to the Charter Schools Act of 1998, the Georgia General Assembly directed the State Board of Education to establish a need-based, facilities aid program by creating a facilities fund for charter schools. Eligible uses include: the purchase of real property; construction of school facilities; purchase, lease-purchase or lease of permanent or relocatable school facilities; purchase of transportation vehicles; and renovation, repair and maintenance of school facilities that are owned by the charter school or are being purchased through a lease-purchase or long-term lease of five years or longer. No funds were appropriated for Fiscal Year 2005; however, the Georgia General Assembly appropriated \$500,000 in Fiscal Year 2006 and \$950,000 in Fiscal Year 2007. The Charter Schools unit at the Georgia Department of Education administers this competitive program. All charter schools are eligible to apply and awards are based on a variety of factors, including demonstrated need, quality of application, student success and evidence of ownership of the facility or path to ownership. To date, only start-up charter schools have received funding through this program.

## Conduit Financing

**Statutory Reference:** <http://w3.lexisnexis.com/hottopics/gacode/Default.asp?loggedIn=done> (Georgia Code => Title 36 Local Government => Provisions Applicable to Counties and Municipal Corporations => Chapter 62 Development Authorities => Sections 36-62-1 to 36-62-14)

Charter schools in Georgia have access to tax-exempt debt through county development authorities.

## QZAB Program

Charter schools located in public facilities owned by a local school board are eligible to access financing through the State's QZAB program, which is administered by the Office of Finance & Business Operations at the Georgia Department of Education.

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## Hawaii

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### Per Pupil Allocation

**Statutory Reference:** [http://www.capitol.hawaii.gov/hrscurrent/Vol05\\_Ch0261-0319/HRS0302B/HRS\\_0302B-0012.HTM](http://www.capitol.hawaii.gov/hrscurrent/Vol05_Ch0261-0319/HRS0302B/HRS_0302B-0012.HTM) (Section 302B-12(a))

For Fiscal Year 2006-2007, the supplemental budget act included an appropriation of \$3.2 million for a per pupil facilities allowance for non-conversion charter schools. This appropriation provided \$686 per pupil to 27 charter schools. Funds can be used for the following expenses: lease, rent and/or building improvements; utilities, emergency generators, maintenance or minor facility repairs; major renovations or improvements that add to the useful life of the facility; and improvements that add capacity to the school's infrastructure for the purpose of improving a virtual education program. Hawaii's Fiscal Biennium 2007-2009 Executive Budget request includes \$3.2 million each year for this per pupil facilities program.

## QZAB Program

Hawaii charter schools are eligible to participate in the State's QZAB program; however, no charter schools have applied to date.

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## Idaho

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### Idaho Housing and Finance Association (IHFA) Conduit Financing

**Website:** <http://www.ihfa.org>

**Statutory Reference:** <http://www3.state.id.us/idstat/TOC/67062KTOC.html>  
(Sections 67-6201 to 67-6226)

As nonprofit organizations, charter schools are eligible for tax-exempt facilities financing utilizing Nonprofit Facilities Revenue Bonds issued by the Idaho Housing and Finance Association. IHFA has closed seven offerings for charter schools, ranging in size from \$750,000 to \$5.8 million and totaling \$17.6 million.

## QZAB Program

Charter schools in Idaho are not prohibited from participation in the State's QZAB program.

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## Illinois

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### Charter Schools Revolving Loan Fund

**Statutory Reference:** <http://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=010500050HArt%2E+27A&ActID=1005&ChapAct=105%26nbsp%3BILCS%26nbsp%3B5%2F&ChapterID=17&ChapterName=SCHOLS&SectionID=17524&SeqStart=150000000&SeqEnd=151600000&ActName=School+Code%2E> (Section 27A-11.5(3))

The Charter Schools Revolving Loan Fund provides interest-free loans to charter schools for acquiring and remodeling facilities and for start-up costs of acquiring educational materials and supplies, textbooks, furniture and other equipment. A charter school may apply for a loan once it is certified by the State Board of Education, and all charter schools are eligible to participate in the loan program within their initial term. Loans are limited to one per charter school and may not exceed \$250 per student. Full loan repayment is required by the end of the initial charter term, which is usually five years, and loan repayments are deposited back into the fund for future use by other charter schools. The fund received an allocation of \$2 million in Fiscal Year 2004 and has received a \$20,000 annual allocation since then. The program has provided loans to 15 charter schools; however, it has not received any applications since 2004. The fund currently has \$50,000 in loans outstanding for three charter schools. The Accountability Division at the Illinois State Board of Education administers the program.

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### Illinois Finance Authority (IFA) Conduit Financing

**Website:** <http://www.idfa.com>

**Statutory Reference:** <http://www.ilga.gov/legislation/ilcs/ilcs5.asp?ActID=2442&ChapAct=20%26nbsp%3BILCS%26nbsp%3B3501%2F&ChapterID=5&ChapterName=EXECUTIVE+BRANCH&ActName=Illinois+Finance+Authority+Act%2E> (Sections 801-1 to 845-85)

The Illinois Finance Authority is a self-financed state authority principally engaged in issuing taxable and tax-exempt bonds, making loans and investing capital for businesses, nonprofit corporations, agriculture and local government units. IFA was created in January 2004 through the consolidation of seven statewide authorities. Charter schools in Illinois can access tax-exempt revenue bond and lease financing for capital projects through the Authority.

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### QZAB Program

Charter schools in Illinois are eligible to participate in the State's QZAB program; however, they must apply through their sponsoring school district.

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## Indiana

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### Conduit Financing & Moral Obligation Pledge

#### Indiana Bond Bank

**Website:** <http://www.in.gov/bond>

#### Indianapolis Local Public Improvement Bond Bank

**Website:** <http://www.indygov.org/eGov/City/BondBank/Home.htm>

**Statutory Reference:** <http://www.ai.org/legislative/ic/code/title5/ar1.5> (Chapters 1-9 - Indiana Bond Bank) and <http://www.in.gov/legislative/ic/code/title5/ar1.4> (Chapters 1-9 - Local Public Improvement Bond Banks)

*ED Credit Enhancement Award Total: \$2 million - Fiscal Year 2005*

In 2002, the Indiana legislature authorized Mayor-sponsored charter schools in Indianapolis to obtain financing through the Indianapolis Local Public Improvement Bond Bank and all other charter schools to obtain financing through the Indiana Bond Bank. In addition to having access to these public authorities as conduit issuers, charter schools can benefit from the "moral obligation" pledge of the City or State, respectively, to debt issued through these authorities. As discussed above in the Colorado program, this enhancement gives additional security to investors purchasing and holding these bonds. The Indianapolis Local Public Improvement Bond Bank received \$2 million in ED credit enhancement grant funds which it has used in conjunction with its moral obligation pledge to support the Indianapolis Charter Schools Facilities Fund. For a description of this program, see "Public-Private Partnerships."

### QZAB Program

Charter schools in Indiana are eligible to participate in the State's QZAB program administered by the Indiana Department of Education; however, no charter schools have applied to date.

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## Iowa

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### Charter School Facilities

**Statutory Reference:** <http://coolice.legis.state.ia.us/Cool-ICE/default.asp?category=billinfo&service=iowaCode&input=256F> (Section 256F.1(2))

A charter school in Iowa may be established by creating a new school within an existing public school or by converting an existing public school to charter status. A charter school is established with a contract between the board of a school district and the State Board of Education whereby the school district runs the charter school. As such, charter schools generally share facilities with traditional public schools in the district.

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## Kansas

### Kansas Development Finance Authority (KDFA) Conduit Financing

**Website:** <http://www.kdfa.org>

**Statutory Reference:** <http://www.kslegislature.org/legsrv-statutes/getStatutelInfo.do> (Statute Numbers: 74-8901 to 74-8959)

Charter schools in Kansas are eligible to access tax-exempt financing through the Kansas Development Finance Authority, which was created in 1987 to promote economic development for the State. The KDFA facilitates long-term financing for capital projects and programs through the issuance of taxable and tax-exempt bonds or other securities and has broad authorization to issue bonds for public and private educational facilities. The KDFA has completed financings for educational facilities such as residence halls, recreation facilities, student unions, research facilities, classrooms, auditoriums, stadiums and arenas.

### QZAB Program

Charter schools in Kansas are considered part of the public school district. As such, they are eligible to participate in the State's QZAB program through their school districts.

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## Louisiana

In Louisiana, there are five types of charter schools:

*Type 1:* A new school chartered between a nonprofit corporation created to operate the school and a local school board.

*Type 2:* A new school chartered or a preexisting public school converted by a charter between a nonprofit corporation and the State Board of Elementary and Secondary Education (BESE).

*Type 3:* A preexisting public school converted by a charter between a nonprofit corporation and a local school board.

*Type 4:* A preexisting public school converted by a charter between a local school board and BESE.

*Type 5:* A preexisting public school transferred to the Recovery School District and chartered between a nonprofit corporation and BESE, or between a nonprofit corporation and a city, parish or other local school board.

### Louisiana Charter School Start-Up Loan Fund

**Statutory Reference:** <http://www.legis.state.la.us/lss/lss.asp?doc=80988>

The Louisiana Charter School Start-Up Loan Fund provides zero-interest loans, which may be used for start-up expenses and administrative and legal costs, for both new and existing Types 1, 2 and 3 charter schools. The fund provides loans of up to \$100,000 with terms of up to three years. Loans may be used for equipment, instructional materials and technology purchases as well as facility acquisition, upgrade and repairs. The program is administered by BESE and is subject to annual appropriation by the State legislature.

A Type 2 charter school automatically receives this funding if the budget within its charter proposal includes a request for loan funding that complies with the program's requirements. A Type 1 or Type 3 charter school approved by a local school board must apply to BESE for funding through this program. Types 4 and 5 charter schools are not eligible for this program. Over half of the State's charter schools are located in New Orleans, where 26 of the approved charter schools, or 65%, are Type 5 charter schools. The fund has received the following allocations over the past four years: \$2.2 million in Fiscal Year 2004; \$2.3 million in Fiscal Year 2005; \$715,000 in Fiscal Year 2006; and \$680,000 in Fiscal Year 2007.

### Louisiana Public Facilities Authority (LPFA) Conduit Financing

**Website:** <http://www.lpfa.com>

**Statutory Reference:** <http://www.legis.state.la.us/lss/lss.asp?doc=97573>

Charter schools in Louisiana are eligible to access tax-exempt financing through the Louisiana Public Facilities Authority, a financing authority created in 1974 as a public trust of which the State of Louisiana is the beneficiary. The primary mission of the LPFA is to further education, healthcare, economic development and job creation in Louisiana. Charter schools may participate in the LPFA's Equipment and Capital Facilities Pooled Loan Program, which offers lower costs of issuance and interest rates, currently estimated at 4%.

### QZAB Program

Charter schools are eligible for QZAB financing in Louisiana.

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## Maryland

### Maryland Industrial Development Financing Authority (MIDFA) Conduit Financing

**Website:** <http://www.choosemaryland.org/businessservices/businessfinancing/creditenhancement/midfa.html>

**Statutory Reference:** <http://198.187.128.12/maryland/lpext.dll?f=templates&fn=fs-main.htm&2.0> (Maryland Code => Article 83A Department of Business and Economic Development => Title 5 Economic Development and Financial Assistance Programs => Subtitle 9 Maryland Industrial Development Financing Authority => Sections 5-901 to 5-941)

The Maryland Industrial Development Financing Authority issues tax-exempt debt on behalf of nonprofit organizations, including charter schools; however, no bonds have been issued on behalf of charter schools to date.

### QZAB Program

Subject to the approval of the authorizing local school board, Maryland charter schools are eligible for the State's QZAB program; however, no charter schools have received such financing to date.

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## Massachusetts

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### Per Pupil Facilities Allocation

**Statutory Reference:** <http://www.mass.gov/legis/laws/mgl/71-89.htm>  
(Section (nn))

Massachusetts charter schools receive a per pupil capital needs allowance as part of their per pupil tuition revenue. The per pupil capital needs component for each year is calculated by the Massachusetts Department of Education and is based on the statewide per pupil average expenditure from State and local sources for capital costs associated with payments, including interest and principal payments, for the construction, renovation, purchase, acquisition or improvement of school buildings and land for the most recent year district expenditures were reported. For Fiscal Years 2006 and 2007, the per pupil capital needs component totaled \$776 and \$811, respectively.

### Massachusetts Development Finance Agency (MassDevelopment) Conduit Financing & Guarantee Program

**Website:** <http://www.massdevelopment.com>

*ED Credit Enhancement Award Total: \$10 million - Fiscal Years 2003 and 2004*

In Massachusetts, charter schools may access tax-exempt bond financing for capital projects through the Massachusetts Development Finance Agency, a quasi-public state authority responsible for economic development lending. Since 1995, MassDevelopment has closed 21 transactions, providing \$117.5 million in financing to 16 charter schools. Of these, ten were QZAB financings, including the first completed QZAB in the Commonwealth for a charter school. In addition, MassDevelopment has received \$10 million in ED Credit Enhancement for Charter School Facilities grant funds, which it has used to create the Massachusetts Charter School Loan Guarantee Fund. For a description of this program, see "Public-Private Partnerships."

### QZAB Program

Charter schools in Massachusetts are eligible to participate in the State's QZAB program. To date, \$34 million has been issued on behalf of eight charter schools.

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## Michigan

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### Michigan Public Educational Facilities Authority (MPEFA) Conduit Financing

**Website:** <http://www.mpefa.org>

**Statutory Reference:** <http://www.michiganlegislature.org/mileg.asp?page=getObject&objName=mcl-12-192>

Created in 2002, the Michigan Public Educational Facilities Authority provides tax-exempt financing and technical assistance for qualified

public educational facilities and public school academies (PSAs or charter schools) through its bonding and loan programs. The MPEFA offers a Long-Term Facilities Financing Program for PSAs. Funds from the program may be used to finance land, facilities, equipment and energy conservation improvements or to refinance existing debt. In 2003 and 2004, two PSAs obtained bond financing totaling \$6.4 million through the program. In 2005, the MPEFA issued \$21.8 million in bonds on behalf of three PSAs, and in 2006 the MPEFA issued another \$15.1 million for three PSAs. Effective January 1, 2007, the MPEFA adopted a new fee schedule for the Long-Term Facilities Financing Program in which it no longer charges application or issuance fees (fees will instead be paid from reserve fund interest earnings) and in which it reduced ongoing annual fees from 0.125% to 0.05% of the financing's outstanding balance.

### QZAB Program

**Website:** [http://www.michigan.gov/mde/0,1607,7-140-5236\\_6048-19934--,00.html](http://www.michigan.gov/mde/0,1607,7-140-5236_6048-19934--,00.html)

Michigan PSAs are eligible for the State's QZAB program, which is administered by the Michigan Department of Education's Office of Grants Coordination & School Support.

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## Minnesota

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### Per Pupil Building Lease Aid Program

**Statutory Reference:** [http://ros.leg.mn/bin/getpub.php?pubtype=STAT\\_CHAP&year=2006&section=1240#stat.1240.11.0](http://ros.leg.mn/bin/getpub.php?pubtype=STAT_CHAP&year=2006&section=1240#stat.1240.11.0) (Subdivision 4)

A charter school that leases its facility can apply to the Minnesota Department of Education (MDE) for lease aid on an annual basis. This program evaluates charter schools based on: the reasonableness of the price of the lease based on current market values; the extent to which the lease conforms to applicable State laws; and the appropriateness of the lease in the context of the school's needs and finances. For schools approved for opening in 2003 and subsequent years, the program offers aid totaling 90% of the actual cost of leasing at a maximum of \$1,200 per pupil. Schools with earlier established leases and bond payment schedules may receive up to \$1,500 per pupil. The minimum 10% balance that charter schools pay is designed to ensure that schools lease appropriate and reasonable facilities. These funds may not be used for custodial, maintenance service, utility or other operating costs.

Program appropriations totaled \$17.8 million in Fiscal Year 2004, \$21 million in Fiscal Year 2005, \$24.6 in Fiscal Year 2006 and \$28.2 million in Fiscal Year 2007. Thus far, \$27.2 million of the Fiscal Year 2007 appropriation has been allocated to 126 charter schools.

## State Charter School Facilities Incentive Grants Program

**Website:** <http://www.ed.gov/programs/statecharter/awards.html>

In 2004, Minnesota received a grant totaling \$15 million over five years from ED's State Charter School Facilities Incentive Grants Program. To date, \$11.2 million of the grant, which was made to MDE, has been received. These funds may be used for three purposes: to provide facility improvement grants targeted to charter schools in geographic areas with low student achievement; to boost total State lease aid payments for charter schools; and to make technical assistance regarding creative and appropriate school facilities available to charter schools and disseminate best practices on cost-effective facility use.

### Conduit Financing

In Minnesota, there is no statewide conduit issuer of tax-exempt bond financing that charter schools can access for their facility needs. Charter schools have access, however, at the county and city levels through conduit issuers, such as the Housing and Redevelopment Authority of St. Paul.

### QZAB Program

Minnesota charter schools are eligible for financing through the State's QZAB program, although no QZABs have been issued for charter schools to date.

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## Mississippi

### Charter School Legislation

**Statutory Reference:** <http://198.187.128.12/mississippi/lpext.dll?f=templates&fn=fs-main.htm&2.0> (Mississippi Code => Title 37 Education => Chapter 28 Charter Schools => Sections 37-28-1 to 37-28-21)

Charter schools in Mississippi can only be established as conversions of existing public schools. There is only one charter school in Mississippi. The charter law is scheduled to expire on July 1, 2007 unless extended by the State legislature.

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## Missouri

### Missouri Health & Educational Facilities Authority (MOHEFA)

#### Conduit Financing

**Website:** <http://www.mohefa.org>

**Statutory Reference:** <http://www.moga.state.mo.us/statutes/chapters/chap360.htm> (Sections 360.010 to 360.140)

The Missouri Health & Educational Facilities Authority was created by the State General Assembly as a conduit issuer for public and private nonprofit health and educational institutions. MOHEFA has issued bonds for two charter schools, \$6.1 million for the St. Louis Charter School in November 2002 and, most recently, \$2.6 million for Academie Lafayette in Kansas City in January 2003.

## QZAB Program

Charter schools are eligible to access the State's QZAB allocation, which is administered through the School Governance and Facilities Section of the Missouri Department of Elementary and Secondary Education's Division of Administrative and Financial Services. To date, no charter schools have accessed this financing.

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## Nevada

### QZAB Program

Although no charter schools have attempted to apply for QZAB funding to date, application and funding may take place through the charter school's local school district. The majority of projects receiving QZAB financing in Nevada have addressed energy conservation and retrofitting of aging school buildings, and the program continues to be oversubscribed for these priority energy conservation endeavors.

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## New Hampshire

### New Hampshire Health and Education Facilities Authority (NHHEFA)

#### Conduit Financing

**Website:** <http://www.nhhefa.com>

**Statutory Reference:** <http://www.gencourt.state.nh.us/rsa/html/XV/195-D/195-D-mrg.htm> (Sections 195-D:1 to 195-D:24)

Charter schools in New Hampshire are eligible to access tax-exempt financing through the New Hampshire Health and Education Facilities Authority. NHHEFA provides several facilities financing options, including privately placed bonds, public bond offerings and a capital loan program through which the Authority provides a participation loan or guarantees part of a bank loan for the purchase of capital equipment or the refinancing of existing debt. Loans through the capital loan program range from \$50,000 to \$500,000 and have five-year terms and interest rates equal to half of the participating bank's loan. Although eligible, charter schools have not received such financing to date.

### New Hampshire Municipal Bond Bank (NHMBB) Conduit Financing

**Website:** <http://www.nhmbb.org>

**Statutory Reference:** <http://www.gencourt.state.nh.us/rsa/html/XV/195-F/195-F-mrg.htm> (Sections 195-F:1 to 195-F:20)

The New Hampshire Municipal Bond Bank, which was created in 1977 by the New Hampshire legislature, is an instrumentality of the State that issues bonds to provide loans to counties, cities, towns, school districts or other districts within the State. In 1982, the legislature enacted the New Hampshire Municipal Bond Bank Educational Institutions Bond Financing Act, which established the Educational Institutions Division within NHMBB to finance the construction and improvement of certain educational facilities. As a result of this Act, New Hampshire charter schools are eligible to access facilities financing through NHMBB.

## QZAB Program

The QZAB program is administered by the Office of School Building Aid of the New Hampshire Department of Education's Division of Program Support. No QZABs have been issued on behalf of New Hampshire charter schools to date.

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## New Jersey

### New Jersey Economic Development Authority (NJEDA)

#### Conduit Financing

**Website:** <http://www.njeda.com>

**Statutory Reference:** [http://lis.njleg.state.nj.us/cgi-bin/om\\_isapi.dll?clientID=129711&Depth=4&TD=WRAP&advquery=%2234%3a1B-1%22&headingswithhits=on&infobase=statutes.nfo&rank=&record={CD31}&softpage=Doc\\_Frame\\_Pg42&wordsaroundhits=2&zz](http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=129711&Depth=4&TD=WRAP&advquery=%2234%3a1B-1%22&headingswithhits=on&infobase=statutes.nfo&rank=&record={CD31}&softpage=Doc_Frame_Pg42&wordsaroundhits=2&zz) (Sections 34:1B-1 to 34:1B-21.36)

The New Jersey Economic Development Authority is an independent, self-supporting State entity with a mission of stimulating business development, creating jobs and revitalizing communities throughout New Jersey. The NJEDA is available as a conduit tax-exempt bond issuer for charter schools under its program for nonprofit organizations. Charter schools also may benefit from the NJEDA's guaranty and subordinate loan programs, as well as small recoverable planning grants for early stage projects. To date, the NJEDA has provided financial assistance to nine charter schools totaling \$34.7 million, through a combination of tax-exempt bonds and NJEDA's guaranty and subordinate loan programs.

## QZAB Program

Charter schools in New Jersey are not currently eligible to participate in the State's QZAB program.

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## New Mexico

### Public School Capital Outlay Fund

**Statutory Reference:** <http://www.conwaygreene.com/nmsu/lpext.dll?f=templates&fn=main-h.htm&2.0> (New Mexico Statutes => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 22 Public Schools => Article 24 Public School Capital Outlay => Sections 22-24-1 to 22-24-11) and (New Mexico Statutes => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 22 Public Schools => Article 8B Charter Schools => Section 22-8B-4(H))

The Public School Capital Outlay Act was passed in 1978 to address critical school district capital outlay needs. The Public School Capital Outlay Council (PSCOC), through the Public School Facilities Authority, manages the allocation of State funding to public school facilities as part of the Public School Capital Outlay Fund. Grants from the fund may be used only for capital expenditures deemed necessary by the PSCOC for an adequate educational program. Charter schools can access public school capital outlay funds in the same manner as other public schools in New Mexico. Through the fund, the PSCOC provides grants to schools

using a standards-based process as well as grants for specific program initiatives, such as the lease payment assistance program. To date, one charter school has received a standards-based grant of \$1.7 million (in the 2004-2005 award year). In 2006, the PSCOC provided \$259.2 million in funding for 139 facilities projects throughout New Mexico. Charter schools received a portion of this funding through the fund's lease payment assistance program described below.

### Lease Payment Assistance Program

**Website:** <http://www.nmschoolbuildings.org> (Lease Payment Assistance)

**Statutory Reference:** <http://www.conwaygreene.com/nmsu/lpext.dll?f=templates&fn=main-h.htm&2.0> (New Mexico Statutes => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 22 Public Schools => Article 24 Public School Capital Outlay => Section 22-24-4(I))

The PSCOC, through the Public School Capital Outlay Fund, is authorized to provide grants to school districts to cover lease payments for classroom facilities, including facilities leased by charter schools. This grant program was created by the State legislature in 2004 to provide up to \$4 million annually in Fiscal Years 2005 through 2009 at a rate of \$300 per student. In March 2006, the State legislature extended the program another year and increased the per pupil amount to \$600 and the maximum annual amount to \$7.5 million. Grant awards may not exceed the annual lease payments of schools. School districts apply to the PSCOC for funding and may apply on behalf of a charter school. If a school district fails to make an application on behalf of a charter school, the charter school may submit its own application.

In Fiscal Years 2005 and 2006, \$2 million and \$4 million were awarded through the program, respectively. In Fiscal Year 2007, at a rate of \$600 per pupil, a total of \$5.2 million was awarded to 63 schools; \$5.1 million of this funding was awarded to 57 charter schools. In total, the PSCOC has provided \$11.2 million in grant funds to charter schools through the first three years of the program, representing approximately 95% of the total grant awards.

### New Mexico Public Education Department's Capital Outlay Bureau

**Website:** <http://www.ped.state.nm.us/div/fin/capital/index.html>

The Capital Outlay Bureau at the New Mexico Public Education Department administers four programs that offer facilities financing resources to charter schools in New Mexico, including the State's QZAB program. With regard to two of the programs administered by the Capital Outlay Bureau described below, the Public School Capital Improvements Act (SB 9) and Public School Buildings Act (HB 33), a school district is not mandated to provide charter schools with an equitable share of these funds; however, a charter school can negotiate with a district to receive its share. To date, less than 10% of charter schools have received funding through these two programs.

### ***Direct Legislative Appropriations***

**Website:** <http://www.ped.state.nm.us/div/fin/capital/reports.html>

**Statutory Reference:** <http://www.conwaygreene.com/nmsu/lpext.dll?f=templates&fn=main-h.htm&2.0> (New Mexico Statutes => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 7 Taxation => Article 27 Severance Tax Bonding Act => Sections 7-27-1 to 7-27-48)

Specific projects within a school district may receive capital outlay funding through direct legislative appropriations. Charter schools may request an appropriation directly from their state legislators. These allocations are funded by the general fund or from the proceeds of the sale of severance bonds. During the 2006 legislative session, \$45 million was appropriated for 400 projects, including \$6.5 million for 20 charter schools.

By June 1 of each year, a school district must determine whether to accept or reject any legislative appropriations made directly to the school district or to charter schools within the school district. A school district's share of public capital outlay funds will be offset by a percentage of the total legislative appropriations accepted by a school district. To date, one school district has rejected two direct legislative appropriations for one charter school.

### ***Public School Capital Improvements Act (SB 9)***

**Statutory Reference:** <http://www.conwaygreene.com/nmsu/lpext.dll?f=templates&fn=main-h.htm&2.0> (New Mexico Statutes => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 22 Public Schools => Article 25 Public School Capital Improvements => Sections 22-25-1 to 22-25-10)

The Public School Capital Improvements Act is a funding mechanism that allows school districts to ask local voters to approve a property levy of up to two mills for a maximum of six years. Funds generated through this program can be used to: erect, remodel, make additions to, provide equipment for or furnish public school buildings; purchase or improve school grounds; maintain public school buildings or public school grounds; purchase activity vehicles for transporting students to extracurricular activities; and purchase computer software and hardware for student use in public school classrooms.

SB 9 contains provisions that provide a school district with a minimum level of funding or program guaranty. If the local revenue generated by SB 9 is less than the program guaranty, the State provides matching funds, which are subject to certain restrictions, to make up the difference. In Fiscal Year 2007, 85 school districts raised \$83 million. State matching funds totaling \$18 million were provided to 53 of those districts.

### ***Public School Buildings Act (HB 33)***

**Statutory Reference:** <http://www.conwaygreene.com/nmsu/lpext.dll?f=templates&fn=main-h.htm&2.0> (New Mexico Statutes => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 22 Public Schools => Article 26 Public School Buildings => Sections 22-26-1 to 22-26-8)

The Public School Buildings Act allows school districts to impose a tax not to exceed ten mills for a maximum of five years on the net taxable value of property upon approval of qualified voters. These funds may be used to erect, remodel, make additions to, provide equipment for or refurbish public school buildings, or to purchase or improve public school grounds.

### ***Conduit Financing***

**Statutory Reference:** <http://www.conwaygreene.com/nmsu/lpext.dll?f=templates&fn=main-h.htm&2.0> (New Mexico Statutes => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 4 Counties => Article 59 County Industrial Revenue Bonds => Sections 4-59-1 to 4-59-16)

In New Mexico, counties can issue tax-exempt debt on behalf of non-profit corporations, including charter schools. A bill currently pending in the New Mexico legislature, HB 323, would create a charter school bonding fund with continuing appropriations from gross receipts tax revenue and additional property tax levies.

### ***QZAB Program***

In New Mexico, school districts are eligible to apply for QZAB financing and, with voter approval, may include a charter school in their application. To date, only two school districts have applied for QZAB financing, neither of which applied on behalf of a charter school.

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## ***New York***

### ***Charter Schools Stimulus Fund***

**Statutory Reference:** <http://public.leginfo.state.ny.us/menugetf.cgi?COMMONQUERY=LAWS> (Consolidated Laws of New York => STF - State Finance => Article 6 - Funds of the State => 97-SSS - Charter Schools Stimulus Fund)

The Charter Schools Stimulus Fund was established in 1998 as part of the State's charter statute to provide discretionary financial support to charter schools for start-up costs and for costs associated with the acquisition, renovation and construction of school facilities. From the 2002-2003 through the 2005-2006 school years, \$3.9 million was appropriated annually for these purposes. An additional \$3.9 million was appropriated for the 2006-2007 school year. Funds are allocated by formula to the State University of New York (SUNY) and the New York State Board of Regents (Regents) and then awarded to charter schools through a competitive process. The New York State Education Department administers the Regents portion of the program. SUNY distributes its share of funds to charter schools it authorizes as well as to those authorized by the Chancellor of the New York City Department

of Education and the Buffalo City Board of Education. Grants awarded by the Regents are capped at \$200,000, and those awarded by SUNY are capped at \$350,000.

#### **New York City Charter Facilities Matching Grant Program**

**Website:** [http://source.nycsca.org/pdf/rfq\\_charter\\_facilities\\_matching\\_program.pdf](http://source.nycsca.org/pdf/rfq_charter_facilities_matching_program.pdf)

In the fall of 2003, as part of the administration's Children First initiative, Mayor Michael Bloomberg and Chancellor Joel Klein announced that New York City would create 50 new charter schools over the next five years while implementing new internal policies to help charter schools flourish. To support this goal, the New York City Center for Charter School Excellence was launched as a public-private partnership with \$41 million in private support from the Clark Foundation, the Pumpkin Foundation (Beginning with Children), the Robertson Foundation and the Robin Hood Foundation. The Center, a nonprofit organization that is governed by an independent board of directors, works in conjunction with the New York City Department of Education to support charter schools throughout the city.

In his \$13 billion Fiscal Year 2005-2009 capital outlay budget, Mayor Bloomberg included \$250 million for charter school facilities to create the Charter Facilities Matching Grant Program. Through this program, the City contributes up to 90% of the project cost, based on the number of students served and the quality of project design, and schools contribute a minimum of 10% through philanthropic or equity sources. In September 2005, the City issued a request for qualifications for the program. Responses to this request currently total more than is available under the program, and the City is no longer accepting applications. To date, two projects have received financing through the program: Excellence Charter School of Bedford-Stuyvesant and Bronx Lighthouse Charter School.

#### **Conduit Financing**

**Statutory Reference:** <http://public.leginfo.state.ny.us/menugetf.cgi?COMMONQUERY=LAWS> (Consolidated Laws of New York => GMU - General Municipal => Article 18A - Industrial Development => Title 1 - Agencies, Organization and Powers => Sections 850 to 888)

Charter schools in New York State have access to tax-exempt bond financing through various local industrial development agencies.

#### **QZAB Program**

Charter schools in New York are not eligible to participate in the State's QZAB program.

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## **North Carolina**

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### **North Carolina Capital Facilities Finance Agency (NCCFFA)**

#### **Conduit Financing**

**Website:** <http://www.treasurer.state.nc.us/dsthome/StateAndLocalGov> (Capital Facilities Finance Section)

**Statutory Reference:** [http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/ByArticle/Chapter\\_159D/Article\\_2.html](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/ByArticle/Chapter_159D/Article_2.html) (Sections 159D-35 to 159D-64)

Charter schools in North Carolina are eligible for tax-exempt bond financing through the North Carolina Capital Facilities Finance Agency. NCCFFA's business is conducted by the Capital Facilities Finance Section of the Department of the State Treasurer's State and Local Government Finance Division. To date, NCCFFA has completed one charter school bond offering totaling \$4.1 million.

#### **QZAB Program**

Charter schools are not eligible to participate in the State's QZAB program, which is administered by the School Planning Section of the Department of Public Instruction.

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## **Ohio**

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### **Charter School Revolving Loan Program**

**Statutory Reference:** <http://onlinedocs.andersonpublishing.com/oh/lpExt.dll?f=templates&fn=main-h.htm&cp=PORC> (Ohio Revised Code => Title XXXIII Education - Libraries => Chapter 3314 Community Schools => Section 3314.30 Revolving Loan Fund to Assist Start-up Community Schools)

This loan program was established in 2003 with passage of Substitute House Bill 364; however, it has not been implemented to date. It was intended to assist start-up charter schools, known as community schools in Ohio, and to serve as a vehicle for federal funds allocated to Ohio for the development and operation of charter schools. Loans were to be for terms of up to five years and to be repaid with automatic deductions from state revenues. While schools were allowed to receive multiple loans, each school was cumulatively capped at \$250,000. Priority was meant to be given to new schools to pay for start-up costs.

### **Community Schools Classroom Facilities Guaranteed Loan Program**

**Website:** <http://www.osfc.state.oh.us/programs/Loans.html>

**Statutory Reference:** <http://onlinedocs.andersonpublishing.com/oh/lpExt.dll?f=templates&fn=main-h.htm&cp=PORC> (Ohio Revised Code => Title XXXIII Education - Libraries => Chapter 3318 School Facilities => Career-Technical School Building Assistance => Section 3318.50 Classroom Facilities Loan Guarantee Program and Section 3318.52 Community School Loan Guarantee Fund)

The Community Schools Classroom Facilities Guaranteed Loan program was established in 2001 and is administered by the Ohio School Facilities Commission (OSFC). Through the program, charter

schools can apply for a State guaranty with a maximum term of 15 years that covers up to 85% of the sum of the principal and interest for facilities loans. The program received a \$10 million appropriation with which the OSFC provided loan guarantees to assist charter schools in acquiring, improving or replacing classroom facilities by lease, purchase, remodeling or any other means, including new construction. The guarantees were capped at \$1 million for the purchase or renovation of an owned facility and \$500,000 for leasehold improvements. The OSFC has completed three rounds of funding and is currently monitoring 15 guarantees that are leveraging \$8.5 million in facilities assistance to charter schools.

### **Ohio Community School Grant (OCSG)**

**Website:** <http://www.ode.state.oh.us/GD/Templates/Pages/ODE/OEDDetail.aspx?page=3&TopicRelationID=878&ContentID=2300&Content=25894>

**Statutory Reference:** [http://www.legislature.state.oh.us/BillText122/122\\_HB\\_215\\_ENR.html](http://www.legislature.state.oh.us/BillText122/122_HB_215_ENR.html) (122nd General Assembly - House Bill 215 (Section 50.52)) as amended by [http://www.legislature.state.oh.us/BillText125/125\\_HB\\_95\\_EN2\\_N.html](http://www.legislature.state.oh.us/BillText125/125_HB_95_EN2_N.html) (125th General Assembly - House Bill 95 (Section 41.06))

The State legislature established the Ohio Community School Grant program to provide financial assistance to community school developers and operators during the beginning phases of a school's creation and early operation. The Office of Community Schools at the Ohio Department of Education administers this competitive grant program, which is contingent upon the allocation of funding by the Ohio General Assembly. Individual award amounts vary, and no single grant award can exceed \$50,000. Eligible applicants are community school developers that have received a valid preliminary agreement or contract with an approved sponsor and community schools in their first year of operation that have not received a Public Charter Schools Program subgrant. Eligible uses of OCSG funds vary depending on applicant type; however, all applicants may use OCSG funds for start-up costs associated with establishing a high-quality community school, including minor facility improvements, bringing the facility to code and costs associated with securing a facility, such as legal fees. The grant program received an appropriation of \$2.7 million annually in Fiscal Years 2005 and 2006 and \$1.5 million annually in Fiscal Years 2007 and 2008. In Fiscal Year 2007, 19 community schools received OCSG funds.

### **QZAB Program**

Charter schools in Ohio are eligible to participate in the State's QZAB program. If a charter school has local education agency status, it may apply directly to the State. If a charter school is part of a school district's local education agency, then the school district must approve the school's QZAB application.

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## **Oklahoma**

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### **Charter Schools Incentive Fund**

**Statutory Reference:** <http://www.lsb.state.ok.us> (Oklahoma Statutes & Constitution => Oklahoma Statutes - Titles 1-85 => Title 70 Schools => Section 70-3-144)

In 1999, the Oklahoma legislature created the Charter Schools Incentive Fund in the State Treasury to provide financial support to charter school applicants and charter schools for start-up costs and costs associated with renovating or remodeling existing facilities. Charter schools may apply for one-time grants of up to \$50,000. The fund was established as a continuing fund that is not subject to fiscal year limitations and consists of all monies appropriated by the legislature and gifts, grants and donations from any public or private source. The fund is administered by the State Department of Education and was initially funded with a \$1 million appropriation. However, \$300,000 was subsequently diverted to educational purposes unrelated to charter schools. Over the past three years, the fund has received additional appropriations of \$50,000 in Fiscal Year 2005 and \$150,000 annually in Fiscal Years 2006 and 2007.

### **Oklahoma Development Finance Authority (ODFA) Conduit Financing**

**Website:** <http://www.state.ok.us/contact.php?page=41>

**Statutory Reference:** <http://www.lsb.state.ok.us> (Oklahoma Statutes & Constitution => Oklahoma Statutes - Titles 1-85 => Title 74 State Government => Sections 74-5062.2 to 74-5062.22)

Oklahoma charter schools are eligible to access tax-exempt bond financing through the Oklahoma Development Finance Authority, which was created by the State legislature in 1987. The ODFA is a statewide trust authority that provides qualified entities with an avenue to issue tax-exempt or taxable revenue bonds. The Authority also administers the Oklahoma Credit Enhancement Reserve Fund, which provides guarantees for small companies, manufacturing facilities and communities in need of funds for expansion projects and infrastructure loans. To date, no charter schools have accessed the ODFA's financing programs for their facilities.

### **QZAB Program**

Charter schools in Oklahoma are not eligible to receive financing through the State's QZAB program.

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## Oregon

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### Oregon Facilities Authority (OFA) Conduit Financing

**Website:** <http://www.ost.state.or.us/Divisions/DMD/OFA>

**Statutory Reference:** <http://www.leg.state.or.us/ors/289.html>  
(Sections 289.005 to 289.240)

The Oregon Facilities Authority is a public entity created by the Oregon legislature in 1989 to assist with the assembling and financing of facilities for organizations involved in health care, low-income housing, cultural programs and education, including public and nonprofit schools. The 2005 Oregon legislature authorized \$300 million in new bonding authority for the 2005-2007 cycle, and \$56 million in bonds were issued by the end of Fiscal Year 2006. No charter schools have issued bonds through OFA to date.

### QZAB Program

In Oregon, individual public schools cannot incur debt as entities separate from the school district of which they are a part. However, a district can participate in the QZAB program and use the proceeds to benefit a charter school. To date, no QZAB projects have involved a charter school.

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## Pennsylvania

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### Charter School Lease Reimbursement Program

**Website:** [http://www.pde.state.pa.us/constr\\_facil/cwp/view.asp?a=13&Q=122650&constr\\_facilNav=|10455|&constr\\_facilNav=|10753|10755|](http://www.pde.state.pa.us/constr_facil/cwp/view.asp?a=13&Q=122650&constr_facilNav=|10455|&constr_facilNav=|10753|10755|)

**Statutory Reference:** <http://www.palrb.us/pamphletlaws/20002099/2001/0/act/0035.pdf> (Section 31)

In 2001, the Pennsylvania Public School Code was amended to include this program, which provides charter schools that lease buildings or portions of buildings for educational use with an annual lease reimbursement. Lease rental costs for land, trailers or modulars are not eligible for reimbursement. A charter school receives the lesser of its annual lease payment or \$160 per pupil for elementary schools, \$220 per pupil for secondary schools and \$270 per pupil for area vocational-technical schools.

### State Public School Building Authority (SPSBA) Conduit Financing

**Website:** <http://www.spsba.org/spsbamain.htm>

**Statutory Reference:** State Public School Building Authority Act of 1947 (24 P.S. Section 791.1 et seq.)

Pennsylvania's State Public School Building Authority finances the construction and improvement of public school facilities through the issuance of bonds. Charter schools may apply for tax-exempt financing through SPSBA. Although no schools have applied to date, several have accessed tax-exempt financing through county-level industrial development authorities.

### QZAB Program

Charter schools are not eligible to participate in Pennsylvania's QZAB program.

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## Rhode Island

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### Facilities Cost Reimbursement

**Statutory Reference:** <http://www.rilin.state.ri.us/Statutes/TITLE16/16-77.1/16-77.1-5.HTM>

The General Assembly enacted legislation in 1999 allowing district-sponsored charter schools to obtain access to state aid for reimbursement of "school housing" (facilities) costs through their public school district or districts. The program is designed to ensure adequate facilities for all public school children in the State and prevent the cost of facilities from interfering with effective school operation. Charter schools that are not sponsored by a district may apply for 30% reimbursement of facilities costs on the basis of demonstrated need.

### Rhode Island Health and Educational Building Corporation (RIHEBC) Conduit Financing

**Website:** <http://www.rihebc.com>

**Statutory Reference:** <http://www.rilin.state.ri.us/Statutes/TITLE45/45-38.1/INDEX.HTM> (Sections 45-38.1-1 to 45-38.1-26)

Charter schools in Rhode Island are eligible for tax-exempt bond financing through the Rhode Island Health and Educational Building Corporation, the State's designated conduit issuer for nonprofit educational and healthcare institutions. Since its first charter school bond offering in 2002, RIHEBC has completed four additional offerings totaling \$27 million for charter school facilities.

### QZAB Program

Charter schools in Rhode Island are eligible to participate in the State's QZAB program; however, no charter schools have applied to date.

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## South Carolina

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### South Carolina Jobs-Economic Development Authority (JEDA) Conduit Financing

**Website:** <http://www.scjeda.net>

**Statutory Reference:** <http://www.scstatehouse.net/code/t41c043.htm>  
(Sections 41-43-10 to 41-43-290)

Charter schools are eligible for tax-exempt financing through the South Carolina Jobs-Economic Development Authority, a state agency that can issue tax-exempt bonds for nonprofit organizations; however, no charter schools have received such financing to date.

### QZAB Program

While not prohibited, charter schools have not used QZAB financing in South Carolina to date.

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## Tennessee

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### Tennessee Local Development Authority Conduit Financing

**Website:** <http://www.comptroller.state.tn.us/bf/bftlda.htm>

**Statutory Reference:** <http://198.187.128.12/tennessee/lpext.dll?f=templates&fn=fs-main.htm&2.0> (Tennessee Code => Title 4 State Government => Chapter 31 Local Development Authority => Part 1 General Provisions => Sections 4-31-101 to 4-31-118)

Charter schools in Tennessee that have the support of their local taxing authority are eligible to access tax-exempt financing through the Tennessee Local Development Authority. Created in 1978, the Authority is responsible for issuing bonds and notes to provide funds to make loans for a wide range of public improvement projects.

### QZAB Program

Charter schools are eligible to participate in the State's QZAB program; however, no charter school applications have been approved to date.

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## Texas

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### Texas Public Finance Authority Charter School Finance Corporation (TPFA CSFC) Conduit Financing & Credit Enhancement Program

**Website:** <http://www.tpfa.state.tx.us>

**Statutory Reference:** <http://tlo2.tlc.state.tx.us/statutes/docs/ED/content/htm/ed.003.00.000053.00.htm#53.351.00>

*ED Credit Enhancement Award Total: \$10 million - Fiscal Years 2005 and 2006*

The Texas Public Finance Authority (TPFA) is a state agency that was created in 1984 to provide capital financing for certain state agencies and institutions of higher education. Pursuant to Section 53.351 of the Texas Education Code, in 2004, the Texas Public Finance Authority established a nonprofit corporation, the Texas Public Finance Authority Charter School Finance Corporation, to issue revenue bonds on behalf of authorized open-enrollment charter schools for the acquisition, construction, repair or renovation of educational facilities. TPFA CSFC has issued \$53 million in charter school facilities debt to date, including \$9 million for the School of Excellence in Education in San Antonio in December 2004, \$9 million for the Burnham Wood Charter School in El Paso in August 2006 and \$35 million for KIPP, Inc. in Houston in September 2006.

In addition, the TPFA CSFC has entered into a consortium agreement with the Texas Education Agency (TEA) and the Resource Center for Charter Schools to operate the Texas Credit Enhancement Program (TCEP). Utilizing its \$10 million ED grant and a \$100,000 contribution from TEA, the TCEP will provide credit enhancement for tax-exempt revenue bonds to provide financing for the acquisition, construction,

repair or renovation of Texas charter school facilities, including certain refinancing of facilities debt, by funding a debt service reserve fund for such issuances. TPFA CSFC's Board will employ two statewide school accountability systems developed by TEA to determine eligibility. The first system focuses on student performance and the second system, the School Financial Integrity Rating System, focuses on financial integrity. In March 2007, the Board of Directors of the TPFA CSFC awarded \$8.8 million of TCEP grant funds to 14 charter schools for reserve funds for their bond issues. The grant funds will support \$144 million of bonds issued on behalf of these schools.

### QZAB Program

Charter schools are not eligible to participate in the State's QZAB program.

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## Utah

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### Per Pupil Facilities Allocation/ State Charter School Facilities Incentive Grants Program

**Website:** <http://www.ed.gov/programs/statecharter/awards.html>

**Statutory Reference:** <http://le.utah.gov/~code/TITLE53A/htm/53A02031.htm> (Section 53A-1a-513(4))

In 2003, Utah created the Local Revenue Replacement Program, which provides an additional annual per pupil appropriation for charter schools to replace some of the local property tax revenue that traditionally covers maintenance and operation, capital projects and debt service. Funding may be used for: the purchase, construction, renovation or lease of a facility; leasehold improvements; debt service; or land acquisition. Utah law requires that a minimum of 10% of the grant monies provided by the annual appropriation be expended for facilities. This facilities dedication totaled \$101 per pupil in Fiscal Year 2005, \$105 in Fiscal Year 2006 and \$114 in Fiscal Year 2007. In 2004, the State received a first-year grant of \$2.8 million and subsequent grants totaling \$4 million from ED's State Charter School Facilities Incentive Grants Program, which it used to augment this program.

### Charter School Revolving Loan Fund

**Statutory Reference:** <http://le.utah.gov/~code/TITLE53A/htm/53A17006.htm> (Section 53A-21-104(5))

With an appropriation of \$2 million, Utah established the Charter School Revolving Loan Fund in 2003 to provide loans for the construction, renovation and purchase of facilities. Charter schools operating in facilities owned by a school district or other governmental entity are not eligible unless they pay reasonable rent for their facility. The maximum loan amount is \$300,000, and loans may not exceed 75% of total project costs. Interest on loans is comparable to the State's five-year, AAA-rated general obligation bond rate. Loans must be repaid within five years, beginning one year from the loan approval date. Priority is given to schools in their first year of operation for start-up facilities and renovation costs and to projects that are necessary to address student health and safety issues.

### Local Discretionary Block Grant Program

**Statutory Reference:** <http://le.utah.gov/~code/TITLE53A/htm/53A12020.htm> and <http://le.utah.gov/~code/TITLE53A/htm/53A12005.htm> (Section (2)(bb))

Charter schools receive funding through the Local Discretionary Block Grant Program for maintenance and operation costs, capital outlay and debt service. These grant funds are distributed by the State Board of Education to school districts and charter schools by formula with 8% of the appropriation divided equally among all school districts and charter schools collectively considered one district. The charter school portion is divided equally among all charter schools, except those which were once existing district schools. The remaining 92% is divided among school districts and charter schools based primarily upon their total weighted pupil units. In Fiscal Year 2006-2007, \$21.8 million was appropriated for the program.

### State Charter School Financing Authority Conduit Financing

**Statutory Reference:** <http://le.utah.gov/~2007/bills/hbillenr/hb0318.htm>

In March 2007, Utah's governor signed into law the Charter School Facilities Financing Act thereby establishing the State Charter School Financing Authority. This statewide conduit issuer was created specifically to provide financing for charter school facilities.

### County & Municipality Conduit Financing

**Statutory Reference:** [http://le.utah.gov/~code/TITLE11/11\\_OC.htm](http://le.utah.gov/~code/TITLE11/11_OC.htm) (Sections 11-17-1 to 11-17-18)

Under the Utah Industrial Facilities and Development Act, charter schools in Utah have access to tax-exempt bond financing through issuers at the county and municipal levels.

### QZAB Program

Charter schools in Utah are not eligible to participate in the State's QZAB program.

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## Virginia

### Virginia Small Business Financing Authority (VSBFA) Conduit Financing

**Website:** <http://www.dba.virginia.gov/financing>

**Statutory Reference:** <http://leg1.state.va.us/cgi-bin/legp504.exe?000+cod+TOC> (Code of Virginia => Title 2.2 Administration of Government => Chapter 22 Authorities => Sections 2.2-2279 to 2.2-2314)

The Virginia Small Business Financing Authority may act as a conduit issuer for nonprofit organizations, including charter schools or related organizations.

### QZAB Program

As public schools, charter schools that meet QZAB eligibility criteria are permitted to receive QZAB funding in Virginia. To date, no charter schools have received an allocation.

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## Washington, D.C.

### Facilities Allowance for Public Charter Schools

**Statutory Reference:** <http://government.westlaw.com/linkedslice/default.asp?rs=gvt1.0&vr=2.0&sp=dcc-1000> (District of Columbia Official Code => Title 38 Educational Institutions => Subtitle X School Funding => Chapter 29 Uniform Per Student Funding Formula => Subchapter I General => Section 38-2908)

In 1998, the D.C. Council passed the Uniform Per Student Funding Formula for Public Schools and Public Charter Schools Act, providing charter schools in the District with an annual per pupil allocation as well as an annual facilities allowance. The Charter School Facilities Allowance Formula calculates a rolling average of District of Columbia Public Schools (DCPS) per pupil facilities expenditures over the previous five years and divides it by the number of pupils in a charter school for the ensuing school year. For Fiscal Year 2007, the allowance was calculated at \$2,810 per pupil.

### State Charter School Facilities Incentive Grants Program

**Website:** <http://www.ed.gov/programs/statecharter/awards.html>

The District of Columbia is one of four jurisdictions that received grants from ED's State Charter School Facilities Incentive Grants Program, receiving an initial grant of \$1 million in 2004 and additional grants in 2005 and 2006 totaling \$1.8 million. The program is administered by the Office of Partnerships & Grants Development, with 2007 applications due by April 27. There are two components to this program:

- General Facilities Allowance—provides a per pupil facilities allowance to eligible charter schools based on estimated student enrollment for Fiscal Year 2007. To be eligible, a charter school must provide evidence that 65% of its student population participates in the federal free and reduced-price lunch program.
- School Choice Allowance—provides an additional per pupil facilities allowance to eligible charter schools also based on estimated Fiscal Year 2007 enrollment. Eligible applicants are charter schools that meet the criteria for the General Facilities Allowance that can also show that 25% of their student population resides within the school boundaries of: 1) a transformation school; 2) a persistently dangerous school; or 3) a school that failed to meet Adequate Yearly Progress for two consecutive years.

## Revenue Bond Program

**Website:** <http://dcbiz.dc.gov/dmped/cwp/view,a,1365,q,569383,dmpedNav,33026|33028|.asp#dcrbp>

**Statutory Reference:** <http://government.westlaw.com/linkedslice/default.asp?rs=gvt1.0&vr=2.0&sp=dcc-1000> (District of Columbia Official Code => Title 1 Government Organization => Chapter 2 District of Columbia Home Rule => Subchapter IV The District Charter => Part E Borrowing => Subpart 5 Tax Exemptions; Legal Investment; Water Pollution; Reservoirs; Metro Contributions; and Revenue Bonds => Section 1-204.90)

The Balanced Budget Act of 1997 granted the District of Columbia authority to issue tax-exempt revenue bonds to finance the acquisition, construction and renovation of eligible capital projects owned by non-profit institutions, including charter schools. The Revenue Bond Program provides below-market interest rate loans to qualified organizations from the issuance and sale of tax-exempt municipal revenue bonds, notes or other obligations. Loan funds may be used to finance, refinance and reimburse the costs of acquiring, constructing, restoring, rehabilitating, expanding, improving, equipping and furnishing real property and related facilities. Through the second quarter of 2005, ten charter schools had obtained access to revenue bonds for facilities projects totaling \$91 million.

## Office of Public Charter School Financing and Support (OPCSFS), District of Columbia State Education Office (SEO)

**Website:** <http://seo.dc.gov/seo/cwp/view,a,1224,q,556412,seoNav,31193|.asp>

*ED Credit Enhancement Award Total: \$5 million - Fiscal Year 2004*

The OPCSFS administers four programs that offer facilities financing resources to charter schools in the District of Columbia.

### *City Build Charter School Initiative*

The City Build Charter School Initiative, established in 2003, is a congressionally funded joint education and neighborhood development initiative that promotes community revitalization with a particular emphasis on strengthening public charter schools. The program focuses on encouraging community development, promoting strategic neighborhoods, attracting and retaining residents and creating partnerships between public charter schools and community organizations. Although funds from this program may be used for a variety of purposes, most of the grants awarded to date have been allocated for facilities and expansion projects. The program awarded \$1.6 million to four schools in 2006. The Fiscal Year 2007 District of Columbia Appropriations Act includes \$3.5 million for the program.

## *Public Charter School Credit Enhancement Fund*

**Website:** <http://seo.dc.gov/seo/cwp/view,a,1224,q,556636.asp#1> (Credit Enhancement Program)

**Statutory Reference:** [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=browse\\_usc&docid=Cite:+20USC1155](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=browse_usc&docid=Cite:+20USC1155) (Sections 1155(e)(2)(B) and 1155(e)(3))

This program was established by the Fiscal Year 2000 District of Columbia Appropriations Act to provide credit enhancement for the purchase, construction and/or renovation of facilities for charter schools. The program offers guarantees or collateral pledges of up to \$1 million for two to five years, enabling charter schools with little cash or collateral to obtain affordable financing for their facilities projects. To date, 15 schools have employed \$13 million in credit enhancements for leasehold improvement loans, conventional mortgages, bond financings and small direct loans.

## *Direct Loan Fund for Charter School Improvement*

**Website:** <http://seo.dc.gov/seo/cwp/view,a,1224,q,556636.asp#1> (Direct Loan Program)

**Statutory Reference:** <http://government.westlaw.com/linkedslice/default.asp?rs=gvt1.0&vr=2.0&sp=dcc-1000> (District of Columbia Official Code => Title 38 Educational Institutions => Subtitle IV Public Education -- Charter Schools => Chapter 18A Miscellaneous Public Charter School Provisions => Subchapter II Public Charter School Financing and Support => Section 38-1833.02)

The District of Columbia's Direct Loan Fund for Charter School Improvement was established in 2003 to provide flexible loan capital for the construction, purchase, renovation and maintenance of charter school facilities. Loans are capped at \$2 million per school, with interest rates and terms varying by project. These loans are frequently used in conjunction with senior debt in larger projects and may function as gap financing in transactions where little equity is available. To date, the fund has provided \$18.9 million in loans to 15 charter schools. Approximately \$6 million in federal appropriations have been earmarked for this initiative for Fiscal Year 2007.

## *ED Credit Enhancement for Charter School Facilities Grant Program*

The District of Columbia was awarded \$5 million in ED credit enhancement grant funds in 2004 for a demonstration model of incubator facilities for District of Columbia charter schools. The program acquires and/or renovates sites at multiple locations in D.C. for start-up charter schools that do not have the resources to purchase or rent a permanent facility and that have inadequate options for short-term school space. New charter schools will be able to lease incubator space for one- to two-year periods.

## **QZAB Program**

Charter schools in the District of Columbia are eligible to participate in the QZAB program and several have received such financing, including the Thurgood Marshall Academy.

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## **Wisconsin**

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### **Wisconsin Health and Educational Facilities Authority (WHEFA)**

#### **Conduit Financing**

**Website:** <http://www.whefa.com>

**Statutory Reference:** <http://nxt.legis.state.wi.us/nxt/gateway.dll?f=templates&fn=default.htm&vid=WI:Default&d=stats&jd=ch.%20231>  
(Sections 231.01 to 231.36)

The Wisconsin Health and Educational Facilities Authority assists eligible Wisconsin health care and educational institutions to obtain tax-exempt financing. Charter schools must be accredited by the Authority to be eligible.

#### **City Redevelopment Authorities Conduit Financing**

**Statutory Reference:** <http://nxt.legis.state.wi.us/nxt/gateway.dll?f=templates&fn=default.htm&vid=WI:Default&d=stats&jd=66.1333>  
(Section 66.1333(5r))

Charter schools also have access to tax-exempt financing through various city redevelopment authorities, which act as conduit issuers.

## **QZAB Program**

The Wisconsin Department of Public Instruction provides QZAB bond issuance authorizations to eligible school districts throughout the State. Charter schools may be able to access QZABs through their local school districts. In Fiscal Year 2006, Milwaukee Public Schools (MPS) issued \$2 million of QZABs for renovations and remodeling for a charter school and a shared high school campus including four schools, one of which is a charter school. In Fiscal Year 2007, MPS will issue an additional \$1.1 million of QZABs to two education complexes, one of which includes two charter schools.

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## **Wyoming**

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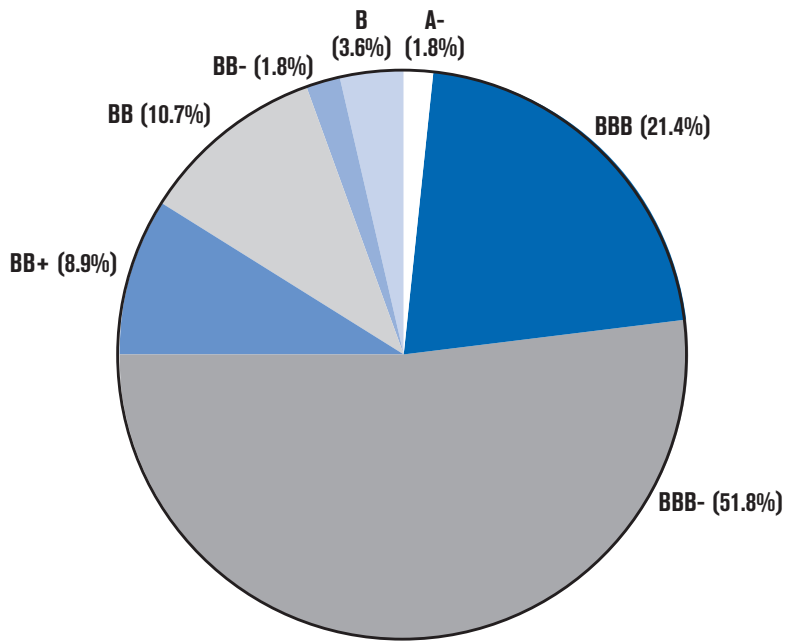
### **Major Building & Facility Repair & Replacement Program**

**Statutory Reference:** <http://legisweb.state.wy.us/statutes/statutes.aspx?file=titles/Title21/T21CH15.htm> (Section 21-15-109)

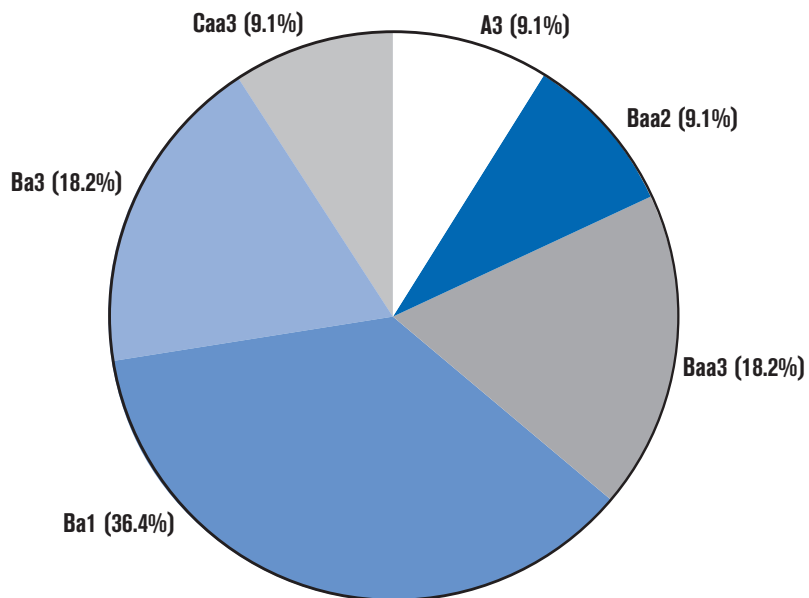
The Wyoming School Facilities Commission administers these funds and distributes them based upon square footage computations for each school district. A school building or facility that is owned by a school district and used for operating a charter school qualifies to receive its share of the district's funding under this program.

**APPENDIX A  
RATINGS FOR CHARTER SCHOOL BOND ISSUANCES**

**STANDARD & POOR'S  
56 BOND ISSUANCES TOTALING \$877 MILLION**



**MOODY'S INVESTORS SERVICE  
11 BOND ISSUANCES TOTALING \$211 MILLION**



Source: EFFG, Standard & Poor's, Moody's Investors Service

**SUMMARY OF CHARTER SCHOOL FACILITY FUNDING AND FINANCING PROVIDERS:  
PRIVATE NONPROFIT ORGANIZATIONS AND PUBLIC-PRIVATE PARTNERSHIPS**

Provider	Year Initiative Began	Market	Technical Assistance	Grants	Loans	Credit Enhancements	NMTC Allocation (\$ in Millions)	ED Credit Enhancement (\$ in Millions)
<b>Foundations</b>								
The Annie E. Casey Foundation	1998	Nationwide; Making Connections Cities: Denver, Des Moines, Hartford, Indianapolis, Louisville, Milwaukee, Oakland, Providence, San Antonio & Seattle		■	■	■		
The Broad Foundation	1999	CA		■				
The Prudential Foundation	1997	Atlanta, Boston, Chicago, Houston, Jacksonville, Los Angeles, Minneapolis, Newark, Philadelphia, Phoenix & D.C.			■			
The Walton Family Foundation	1999	AR & 27 Urban Districts in 13 States (AZ, CA, CO, FL, GA, IL, IN, MI, MN, NM, NY, OH & WI) and D.C.		■	■			
<b>Community Development Financial Institutions (CDFIs)</b>								
Community Loan Fund of Southwestern Pennsylvania, Inc.	1998	Western PA	■		■			
Illinois Facilities Fund	1996	IL	■		■	■	\$10.0	\$8.0
Local Initiatives Support Corporation	1997	Nationwide	■	■	■	■	\$295.0	\$18.2
Low Income Investment Fund	1999	CA & NY	■		■	■		\$3.0
New Jersey Community Capital	2004	NJ Primarily; Potentially Nationwide	■		■	■	\$15.0	\$8.2
Nonprofits Assistance Fund	2000	MN	■		■			
Nonprofit Finance Fund	2002	CA, DE, MD, MI, New England, NJ, NY, Greater Philadelphia, VA & D.C.; Case-by-Case Nationally	■		■			
Partners Advancing Values in Education	2001	Milwaukee, WI	■	■	■			
Raza Development Fund, Inc.	1998	Nationwide; Areas with Low-Income, Latino Populations	■	■	■	■		\$14.6
Self-Help	1997	Primarily FL, GA, NC, SC, TN & TX	■		■	■	\$170.0	\$10.2
The Reinvestment Fund, Inc.	1997	Mid-Atlantic Region (DE, MD, NJ, PA & D.C.)	■		■	■	\$113.5	\$20.0 <sup>1</sup>

(continued on page 40)

## APPENDIX B

### SUMMARY OF CHARTER SCHOOL FACILITY FUNDING AND FINANCING PROVIDERS: PRIVATE NONPROFIT ORGANIZATIONS AND PUBLIC-PRIVATE PARTNERSHIPS (continued)

Provider	Year Initiative Began	Market	Technical Assistance	Grants	Loans	Credit Enhancements	NMTC Allocation (\$ in Millions)	ED Credit Enhancement (\$ in Millions)
<b>Other Private Initiatives</b>								
America's Charter School Finance Corporation/Building Hope	2000 & 2004	IL, IN, MA, TX & D.C.	■		■	■		\$5.0
Charter Schools Development Corporation	1997	Nationwide	■			■	\$40.0	\$21.6
Excellent Education Development, Inc.	2002	Los Angeles	■		■		\$36.0	
Innovative Schools Development Corporation	2002	DE	■			■		
KIPP Foundation	2007	Nationwide - KIPP & Affiliated Schools	■			■		\$6.8
NCB Capital Impact	1997	Nationwide	■		■	■	\$129.0	\$28.0 <sup>2</sup>
NewSchools Venture Fund	1998	Nationwide		■				
<b>Real Estate Developers</b>								
Charter Schools Development Corporation	—	See Above						
Civic Builders	2002	New York City	■					
EdBuild	2005	D.C.	■					
Pacific Charter School Development	2003	CA	■					
<b>Public-Private Partnerships</b>								
Indianapolis Charter Schools Facilities Fund	2005	Indianapolis	■	■	■			\$2.0
Massachusetts Charter School Loan Guarantee Fund	2005	MA	■	■	■	■		\$10.0

Source: EFFC

<sup>1</sup> \$10 million jointly awarded with NCB Capital Impact and FOUNDATIONS, Inc.

<sup>2</sup> \$10 million jointly awarded with The Reinvestment Fund, Inc. and FOUNDATIONS, Inc. and \$10 million jointly awarded with California Charter Schools Association.



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