

**Local Initiatives Support Corporation**

# **The Charter School Facility Finance Landscape**

*A National Mapping Survey  
of Private Nonprofit Providers and Public Initiatives*

**March 2005**



**LISC**

*Educational Facilities  
Financing Center*

## **Local Initiatives Support Corporation**

Local Initiatives Support Corporation (LISC) is dedicated to helping community-based development organizations transform distressed neighborhoods into healthy communities of choice and opportunity - good places to work, do business, and raise children. LISC supports the development of local leadership and the creation of affordable housing; commercial, educational, industrial and community facilities; businesses; and jobs by mobilizing corporate, government, and philanthropic support to provide community organizations with:

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

LISC is a national organization with a community focus. Our program staff are based in 33 cities and many of the rural areas where LISC-supported community development takes shape. In collaboration with community organizations, LISC staff help identify local priorities and challenges, delivering the most appropriate support to meet local needs. Since 1980, LISC has marshaled more than \$6 billion from 3,100 investors, lenders, and donors. In over 300 urban and rural communities nationwide, LISC has helped 2,400 community groups build or rehabilitate nearly 160,000 affordable homes and approximately 25 million square feet of retail, community, and educational space – totaling more than \$13 billion in development. As a result, hundreds of thousands of people have better lives and brighter futures.

## **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 and alternative school facilities in order to create new or renovated school facilities for underserved children, families, and neighborhoods nationally.

LISC has raised over \$50 million in grants and loans to date for its charter school initiative, including \$17.4 million from the Walton Family Foundation, \$20 million from Prudential Insurance, and \$10 million from the U.S. Department of Education. To date, the EFFC has approved loan and guaranty commitments to three local funds totaling \$7 million in Indianapolis, Los Angeles, and Massachusetts. The EFFC's partners in these investments include Bank One, The Boston Foundation, the Broad Foundation, the Annie E. Casey Foundation, CEOs for Fundamental Change in Education, Citibank, City National Bank, Excellent Education Development, the Indianapolis Local Public Improvement Bond Bank, the Indianapolis Mayor's Charter Schools Office, the Low Income Investment Fund, the Massachusetts Charter School Association, the Massachusetts Department of Education's Charter School Office, the Massachusetts Development Finance Agency, Prudential Insurance, and Wells Fargo.

The EFFC has 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. The members of the EFFC's Advisory Board are:

Jim Griffin, Executive Director, Colorado League of Charter Schools (*Chairman*)  
Bryan Hassel, Co-founder, Public Impact  
John Kinghorn, Vice President, Prudential Social Investment  
Cathy Lund, Director, Walton Family Foundation (*ex-officio*)  
Buddy Philpot, Executive Director, Walton Family Foundation (*ex-officio*)  
Michele Pierce, Founding Director, Harriet Tubman Charter School  
Lionel Romain, Senior Program Officer, LISC Boston  
Michael Rubinger, President and Chief Executive Officer, LISC  
Sheree Speakman, President and Chief Executive Officer, Fox River Learning

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March 2005

Published By

The Educational Facilities Financing Center  
of Local Initiatives Support Corporation  
[www.lisc.org/whatwedo/programs/effc](http://www.lisc.org/whatwedo/programs/effc)

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## **ACKNOWLEDGEMENTS**

We want to acknowledge the many people who contributed directly or indirectly to this study. Approximately 50 individuals generously offered their time to answer our questions and provide us with information during the course of our research, patiently answering follow-up questions and referring us to other individuals knowledgeable in the area we were exploring. We would like to extend special thanks to Bryan Hassel, Public Impact for his thoughtful review of the entire study.

We would like to express our gratitude to the following individuals for their comments and contributions regarding the private nonprofit providers in our study: John Buckheit, Innovative Schools Development Corporation; Brenna Copeland, Self-Help; Annie Donovan, NCB Development Corporation; Jim Ford, Raza Development Fund, Inc.; Susan Harper, Low Income Investment Fund; Michelle Liberati, Charter Schools Development Corporation; Cathy Lund, The Walton Family Foundation; Marcia Lynch, Community Loan Fund; Bruno Manno, The Annie E. Casey Foundation; Connie Max, Prudential Social Investment; Dan McKinley, Partners Advancing Values in Education; Claire Morduch, Brody Weiser Burns; Joe Neri, Illinois Facilities Fund; Tom Porter, Building Hope; Eva Rainer, NCB Development Corporation; Sheila Ryan-Macie, America's Charter School Finance Corporation; Joel Scharfer, Charter Schools Development Corporation; and James Willcox, NewSchools Venture Fund.

We also would like to thank the following individuals for their contributions and comments regarding the public initiatives included in our study: Phil Andrews, Georgia Charter Schools Association; Kimberly Edwards, Texas Public Finance Authority; Jerry Ford, Ford & Associates; Lyle Friesen, Arizona Department of Education, School Finance; Bridget Bradley Gray, District of Columbia Public Charter School Board; Jim Griffin, Colorado League of Charter Schools; James Hamill, California Statewide Communities Development Authority; Wendy Jarosz, Ohio Department of Education, Office of Community Schools; Kristen Jordison, Arizona State Board for Charter Schools; Barbara Kampmeiner, Office of Public School Construction, California; James Kimbrel, Florida Department of Education, Office of Educational Facilities; Ivy Leaf, Colorado Department of Education, Public School Finance Unit; Sharon Lease, Oklahoma State Department of Education; Mark Linabury, Connecticut State Department of Education, Office of Educational Equity, Charter Schools; Patrick Mispagel, Moody's Investors Service; Jonathan North, Moody's Investors Service; Bill Phillips, New York Charter Schools Association; Greg Richmond, Chicago Public Schools; Tim Romocki, North Carolina Capital Facilities Finance Agency, Department of the State Treasurer; Glenn Rowell, Ohio School Facilities Commission; Art Schofield, Oklahoma State Department of Education; Beverly Schrenger, Georgia Department of Education, Charter Schools; Jennifer Snowden, District of Columbia, Office of Public Charter School Financing and Support; and Michael Stanard, Missouri Health and Educational Facilities Authority.

Finally, while appreciating the contributions of all those acknowledged above, the authors accept full responsibility for the content of this study.

# The Charter School Facility Finance Landscape

## Table of Contents

<b>Executive Summary .....</b>	<b>1</b>
<b>Private Nonprofit Providers.....</b>	<b>5</b>
<b>Foundations .....</b>	<b>5</b>
<b>Community Development Financial Institutions.....</b>	<b>7</b>
<b>Other Private Initiatives .....</b>	<b>10</b>
<b>Real Estate Developers.....</b>	<b>12</b>
<b>Public Initiatives .....</b>	<b>13</b>
<b>Federal Programs.....</b>	<b>13</b>
<b>State Programs .....</b>	<b>17</b>
<b>Public-Private Partnerships .....</b>	<b>30</b>

### *APPENDICES*

**Appendix A:** Summary of Charter School Facility Funding and Financing Providers:  
Private Nonprofit Organizations and Public-Private Partnerships

**Appendix B:** Summary of State Charter School Facility Funding and Financing Programs

## *Executive Summary*

The Educational Facilities Financing Center (EFFC) of the Local Initiatives Support Corporation (LISC) has conducted a national mapping study of private nonprofit and public providers of funding and financing for charter school facilities, the first comprehensive listing of its kind. The lack of access to appropriate facilities and sufficient financing has been widely documented as the largest hurdle facing charter school operators and has resulted in facilities that are in no way comparable to those of traditional public schools. Since charter schools do not have the authority to tax in order to pay for their facilities, they must rely on limited public capital funds and their operating revenues for these expenditures. Of the 41 jurisdictions with a charter law, few offer a dedicated per pupil funding stream specifically for facilities. As a result, charter school operators typically must turn to the private sector to assist them with their facility financing needs, using their operating revenues in order to secure financing.

While the charter school facility financing sector has expanded significantly in the 14 years since the first charter law was passed in Minnesota, it is still in its early stages of development - characterized by a scarcity of resources, fragmentation, and inefficiencies. Currently, 15 of the 41 jurisdictions with a charter law have authorized some form of public funding, loan, or credit enhancement program for charter school facilities; however, only eight provide a per pupil funding stream specifically for facilities. While there are over 20 private nonprofit providers in the sector, each has unique eligibility requirements, financing products, and geographic markets. Part of this diversity is inherent in the state-specific nature of charter law and the public assistance available. However, this diversity also reflects the sector's relative youth and the ongoing development of effective financing models that can be replicated on a large scale.

The federal government has begun to play a larger role, primarily with authorization and funding of two programs designed to stimulate private sector investment and to increase state per pupil funding for facilities: the Credit Enhancement for Charter School Facilities Program and the State Charter School Facilities Incentive Grants Program. There are also two public-private partnerships designed to assist charter schools in meeting their facility needs, the Indianapolis Charter Schools Facilities Fund and the Massachusetts Charter School Loan Guarantee Fund.

Although not within the scope of this study, for-profit lenders – such as Prudential Insurance, Citibank, and Bank of America – are playing a larger role in the sector. For example, Prudential Insurance has provided \$45 million in facilities loans to charter schools through its Social Investment Program, in addition to the \$30 million provided by The Prudential Foundation. Citibank has provided \$30 million to charter schools across the country for their facilities needs, and Bank of America has provided approximately \$100 million. Other national and regional banks are also becoming increasingly comfortable with charter school credits and are co-lending with nonprofit financial intermediaries providing subordinate debt and/or credit enhancement to reduce risk. Like the bond market, however, these traditional lenders tend to provide financing to more established charter schools and schools with larger enrollments.

The fragmented nature of the charter school facility financing sector means that individual charter schools must navigate a complex landscape with no assurance that financing will be the end result of their efforts. It also leads to increased transaction costs as individual schools must negotiate one-on-one with a lender or lenders to piece together their facility financing package. Access to financing varies significantly for schools in different stages of the charter school life cycle, with start-up schools facing the steepest challenges. This study is an attempt to provide an exhaustive listing of all public and private nonprofit providers to serve as a roadmap for individual schools as they attempt to steer a course through this landscape and for others interested in helping to grow and rationalize the sector. Providers included in this study are grouped into three general categories: private nonprofit organizations, public initiatives, and public-private partnerships.

**PRIVATE NONPROFIT ORGANIZATIONS**

In the private sector, four foundations have committed to facility financing for charter schools on more than a localized basis; eight community development financial institutions (CDFIs) certified by the U.S. Department of the Treasury provide some type of funding and/or financing for charter school facilities as part of their community development missions; and seven other nonprofit organizations are active in the sector. There are also two charter school real estate developers that help to provide adequate facilities. See Appendix A for the markets served and assistance offered by these private nonprofit providers.

<b>Private Nonprofit Providers</b>	
<b>Foundations</b>	<b>Real Estate Developers</b>
The Annie E. Casey Foundation The Broad Foundation The Prudential Foundation The Walton Family Foundation, Inc.	Civic Builders Pacific Charter School Development
<b>CDFIs</b>	<b>Other Private Initiatives</b>
Community Loan Fund Illinois Facilities Fund Local Initiatives Support Corporation Low Income Investment Fund Partners Advancing Values in Education Raza Development Fund, Inc. Self-Help The Reinvestment Fund, Inc.	America’s Charter School Finance Corp. Building Hope Charter Schools Development Corporation Excellent Education Development, Inc. Innovative Schools Development Corporation NCB Development Corporation NewSchools Venture Fund

**PUBLIC INITIATIVES**

There are a number of public funding and financing programs available for charter school facilities. At the federal level, there are two grant programs that provide assistance specifically for charter school facilities and three general tax credit/bond financing programs from which charter schools may benefit. The grant programs include the **Credit Enhancement for Charter School Facilities Program** and the **State Charter School Facilities Incentive Grants Program** and are administered by the U.S. Department of Education’s (U.S. DOE) Office of Innovation and Improvement. The three tax credit/bond financing programs include the **New Markets Tax Credit (NMTC) Program**, the **Qualified Zone Academy Bond (QZAB) Program**, and the **Qualified Public Education Facility (QPEF) Bond Program** and have been established to create mechanisms that may be employed for charter school facility financing. The recipients of the first three rounds of the Credit Enhancement Program, the first round of the Incentive Grants Program, and the first two rounds of NMTC allocations (that are eligible to use their allocations for charter school facility financing) are summarized below in “Public Initiatives - Federal Programs.”

Financial assistance to charter schools for facilities varies significantly at the state level. This study details all **funding, loan, and credit enhancement** programs currently authorized throughout the country and includes statutory references. Of the 41 jurisdictions with a charter law, 15 have authorized programs in at least one of these areas. Also included are descriptions of conduit issuers, where authorized, in these 15 jurisdictions, together with five additional states that only allow use of conduit issuers for their charter schools, for a total of 20 jurisdictions in our study. The 21 states not included in our study may allow use of a conduit, but do not offer other funding or financing assistance for charter school facilities. A

summary chart is included that also notes which states permit the lease of public school facilities. To summarize briefly:

- Eight jurisdictions (Arizona, California, Colorado, Florida, Massachusetts, Minnesota, Utah, and Washington, D.C.) offer a **per pupil funding** stream specifically for facilities.
- Eight jurisdictions have authorized some form of **grant funding** for charter school facilities; however, only four (California, New York, Oklahoma, and Washington, D.C.) are currently funding and/or implementing these programs.
- Four jurisdictions (California, Ohio, Utah, and Washington, D.C.) have authorized **loan programs**; however, these programs are being implemented in only three of these jurisdictions. While Ohio authorized a loan program in 2003, it has not been funded.
- Five jurisdictions (Colorado, Indiana, Massachusetts, Ohio, and Washington, D.C.) offer some form of **credit enhancement program**, including two states with moral obligation provisions available to charter schools. Massachusetts has been included as a state providing credit enhancement although its guarantee program is not directly funded by the Commonwealth.
- 17 of the 20 jurisdictions in this study provide charter schools access to tax-exempt debt through **conduit issuers**. Some of the remaining 21 states with a charter law may offer conduit financing; however, they have not been included here.
- 26 states explicitly authorize the **use of district facilities** for charter schools, including 19 of the 20 jurisdictions in our study. However, these statistics can be slightly misleading because some states technically authorize such use but do not allow it in practice, while others are silent on the issue, but do provide this option to charter schools.

See the following chart for information regarding the 20 jurisdictions in this study and Appendix B for a national summary.

**State Charter School Facility Funding and Financing Programs\***

<b>Jurisdiction</b>	<b>Per Pupil Funding</b>	<b>Other Grant Funding</b>	<b>Loan Program</b>	<b>Credit Enhancement Program</b>	<b>Conduit Issuer</b>
Arizona	✓	✓			✓
California	✓	✓	✓		✓
Colorado	✓			✓	✓
Connecticut		✓			✓
Florida	✓				✓
Georgia		✓			✓
Illinois					✓
Indiana				✓	✓
Massachusetts	✓			✓**	✓
Michigan					✓
Minnesota	✓				✓
Missouri					✓
New York		✓			✓
North Carolina					✓
Ohio			✓	✓	
Oklahoma		✓			
Rhode Island		✓			✓
Texas					✓
Utah	✓		✓		
Washington, D.C.	✓	✓	✓	✓	✓
<b>Total Implemented</b>	<b>8</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>17</b>
<b>Total Authorized</b>	<b>8</b>	<b>8</b>	<b>4</b>	<b>5</b>	<b>17</b>

\* Shaded programs are not currently funded or have not been implemented.

\*\* The Massachusetts Development Finance Agency (MassDevelopment), a quasi-public state authority, will contribute \$1 million of its own monies and serve as administrator of a credit enhancement program that is primarily funded with federal grant and private monies. See “Public-Private Partnerships” for a description of MassDevelopment’s program.

**PUBLIC-PRIVATE PARTNERSHIPS**

There are two public-private partnership models currently in development, the Indianapolis Charter Schools Facilities Fund and the Massachusetts Charter School Loan Guarantee Fund. Both are expected to be actively serving charter schools in the current year.

## **PRIVATE NONPROFIT PROVIDERS**

### **FOUNDATIONS**

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

#### **THE ANNIE E. CASEY FOUNDATION (AECF)**

Web Site: <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 has lent support to a variety of efforts nationwide 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 Mayor's office and the Indianapolis Local Public Improvement Bond Bank, AECF played a leading role in development of the Indianapolis Charter Schools Facilities Fund, a facilities loan program for Mayor-sponsored charter schools in Indianapolis, which is in its final stages of development. AECF has made a \$1 million guarantee commitment to this Fund, its first program-related investment in charter schools. AECF is also in the process of investing in other facilities funds for charter schools in its targeted cities.

#### **THE BROAD FOUNDATION**

Web Site: <http://www.broadfoundation.org/home.html>

Market: California

The Broad Foundation was founded in 1999 by Eli Broad to improve the quality of elementary and secondary public education in the United States, particularly within large urban school districts. In 2003, the Broad family increased its initial \$100 million funding commitment to over \$400 million for this effort. The Foundation has launched programs in large urban districts across the country, investing in nontraditional education initiatives.

In April 2002, the Broad Foundation pledged \$10.5 million to support 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. The Broad Foundation has also recently committed a \$2 million grant to support Excellent Education Development's (ExED) \$36 million New Markets Tax Credit Fund for the creation of charter school facilities in low-income Los Angeles communities. This grant will provide \$200 per student annually for five years to help offset debt costs for each school participating in the fund. The Foundation has also committed approximately \$5 million in equity to Pacific Charter School Development.

## **THE PRUDENTIAL FOUNDATION**

Web Site:

<http://www.prudential.com/productsAndServices/0,1474,intPageID%253D1488%2526blnPrinteFriendly%253D0,00.html>

Market: 1<sup>st</sup> Tier: Jacksonville, Los Angeles, Minneapolis, Newark, and Philadelphia  
2<sup>nd</sup> Tier: Atlanta, Boston, Chicago, Houston, Phoenix, and Washington, D.C.

The Prudential Charter School Lending Program was started in 1997 by The Prudential Foundation and provides below-market rate loans to support the start-up, early operations, and facility needs of charter schools. The program has approved more than 80 loans, totaling over \$30 million, and currently serves Los Angeles, Philadelphia, and the State of New Jersey. In addition to providing loans directly to charter schools, the program has provided funding to other organizations in situations that benefit one or more charter schools.

Prudential Insurance has also provided over \$45 million in long-term facility financing to individual charter schools and facilities financing funds through its Social Investment Program. Social Investment recently passed its \$1 billion mark, having contributed over \$1 billion in equity and debt to nonprofit and for-profit ventures in more than 500 cities and over 40 states. Social Investment has made approximately \$20 million in facilities loans to individual charter schools in Newark, Los Angeles, and Philadelphia. These loans are typically structured as below-market real estate mortgages, with terms ranging from ten to 15 years. In addition, Prudential has made a \$20 million loan to LISC's Educational Facilities Loan & Guaranty Fund for investment in local facilities funds across the nation and is committing \$6.85 million to the ExED New Markets Tax Credit Fund for charter schools in Los Angeles.

## **THE WALTON FAMILY FOUNDATION, INC. (WFF)**

Web Site: <http://www.wffhome.com/index.htm>

Market: Four states (Arkansas, California, Colorado, New Mexico) and ten cities/jurisdictions (Atlanta; Buffalo; Detroit; Ft. Lauderdale; Milwaukee; Minneapolis; Ohio cities including Cleveland; Phoenix; St. Paul; and Washington, D.C.)

The Walton Family Foundation was established as the culmination of the philanthropic interests of the family of Sam M. and Helen R. Walton. Begun in 1997, the charter school initiative is a component of one of the Foundation's three program focus areas, Systemic Reform in Education (K-12). The WFF provides three types of grants to charter schools and charter school developers: 1) planning grants for organizations or individuals planning to apply for a charter school; 2) start-up grants for approved charter schools that have not yet opened; and 3) expansion/sustaining grants for schools that have been operating for one to five years.

The WFF provides facilities assistance to charter schools primarily by providing loans and grants to organizations that leverage investments for facilities financing for charter schools. The WFF has made 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. In addition, the WFF has made a \$10 million loan commitment to the Brighter Choice Foundation that will be utilized as a revolving construction loan fund for a number of Albany, NY charter schools. It has also provided additional financing to NewSchools Venture Fund and Pacific Charter School Development. The Walton Family Foundation has made several small loans and grants to individual schools since 1999; however, it rarely provides facilities assistance directly to individual schools.

### COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs)

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

#### **COMMUNITY LOAN FUND (CL FUND)**

Web Site: <http://www.clfund.com>

Market: Western Pennsylvania

Founded in 1990 as a housing and social service lender, the CL Fund broadened its services by adding small business lending in 1994 and charter school lending in 1998. To date, the Fund has completed 22 financings for charter schools totaling \$3.9 million, funding both working capital and facility needs. The CL Fund has financed facilities for approximately ten charter schools, with total project costs of \$10 million (inclusive of the CL Fund's participation). The Fund has been instrumental in the founding of Propel Schools, an organization which opened its first school in September 2003 and is committed to opening an additional six schools in Western Pennsylvania over the next five years. The CL Fund has been financed through various sources, including P&C Bank, Mellon Bank, National City Bank, and grants from the RK Mellon Foundation and the Heinz Foundation.

#### **ILLINOIS FACILITIES FUND (IFF)**

##### ***Charter School Loan Fund***

Web Site: <http://www.iff.org>

Market: Illinois

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

The Illinois Facilities Fund assists Illinois nonprofits through loans, facilities planning, and facilities development. In 1997, the IFF received a \$2 million grant from Chicago Public Schools (CPS) to create the Charter School Loan Fund. CPS also contracted with the IFF to assist schools in opening, finance, and management. The IFF has made approximately 25 below-market rate loans to charter schools in Chicago, totaling \$5.5 million. It provides financing for both facilities (acquisition, renovation, and leasehold improvements) and the purchase of furniture and equipment.

#### **LOCAL INITIATIVES SUPPORT CORPORATION (LISC)**

##### ***Educational Facilities Financing Center (EFFC)***

Web Site: <http://www.lisc.org/whatwedo/programs/effc/index.shtml>

Market: Nationwide

*U.S. DOE Credit Enhancement Award Total: \$10 million - Fiscal Years 2003 and 2004*

*NMTC Allocation: \$65 million - Fiscal Year 2002*

Founded in 1979, LISC helps resident-led, community-based organizations transform distressed communities and neighborhoods into healthy ones-- good places to live, do business, work and raise families. By providing capital, technical expertise, training and information, LISC supports the development of local leadership and the creation of affordable housing, commercial, industrial and community facilities, businesses and jobs. Since 1997, LISC has provided facilities financing for individual charter schools through its network of 35 local offices, approving nearly \$20 million in grants, loans, and guarantees.

With funding from the Walton Family Foundation, LISC founded the Educational Facilities Financing Center in 2003 to intensify its support of quality public charter and alternative schools across the country. LISC has raised over \$50 million in grants and loans for its charter school initiative, including \$17.4 million from the Walton Family Foundation, \$20 million from Prudential Insurance, and \$10 million from the U.S. Department of Education. With these monies, the EFFC has created a \$35 million Educational Facilities Loan & Guaranty Fund, which invests in the development or expansion of local educational

facilities funds and nonprofit charter school networks. The Fund is secured by \$10 million in U.S. DOE credit enhancement grant monies and supported by \$4.1 million in grant monies for technical assistance and predevelopment recoverable grants.

To date, the Fund has made loan and guaranty commitments to three local funds totaling \$7 million: the Massachusetts Charter School Loan Guarantee Fund, the Indianapolis Charter Schools Facilities Fund, and the ExED New Markets Tax Credit Fund. In addition, the EFFC has made almost \$700,000 in companion grant commitments to local LISC offices for technical assistance and predevelopment recoverable grants for projects associated with these funds.

**LOW INCOME INVESTMENT FUND (LIIF)**, formerly Low Income Housing Fund

Web Site: <http://www.lihf.org/site/programs/education.htm>

Market: California and New York

*U.S. DOE Credit Enhancement Award Total: \$3 million - Fiscal Year 2001*

LIIF was established in 1983 to spur economic advancement for the poor. It has provided capital and technical assistance totaling \$480 million in 35 states across the nation and focuses its work in three core market areas: Northern California, Southern California, and the New York metropolitan area. LIIF began financing charter schools in 1999 in response to growing demand in low-income neighborhoods. To date, LIIF has approved and packaged loans to 41 charter schools totaling \$28 million (including \$13 million of its own loan monies and \$15 million from other lenders) for facility acquisition, construction, and renovation. These loans, ranging from \$100,000 to \$6.3 million, have created and/or enhanced 10,280 charter school spaces for low-income children.

LIIF employs its federal grant funds on a cross-collateralized basis to secure or credit enhance loans pooled from a variety of lenders. LIIF is providing approximately \$1.3 million in grant funds to secure lenders to ExED's New Markets Tax Credit Fund, which will consist of \$25 million in loan monies and \$11 million in equity investments. LIIF plans to use its remaining funds to secure a loan pool for charter schools in the Bay Area and Los Angeles.

**PARTNERS ADVANCING VALUES IN EDUCATION (PAVE)**

***Capital Investments Program***

Web Site: <http://www.pave.org/jahia/jsp/index.jsp>

Market: Milwaukee, WI

PAVE seeks to provide educational opportunity for low-income families in Milwaukee, Wisconsin. PAVE's Capital Investments Program is being capitalized by a \$20 million, five-year matching grant commitment made by the Lynde & Harry Bradley Foundation in 2001. This grant pledge is being leveraged into \$40 million in grants and loans that is expanding the capacity of high quality charter schools and other schools of choice. Since the commitment was made, \$6.2 million in Bradley Foundation grant monies have been employed to leverage \$18.5 million in grants and loans from other sources.

PAVE restricts eligibility for capital funding to schools that have a demonstrated record of successfully educating children from low-income families and limits its facility 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. Additional eligibility requirements include at least three years of operational experience; established board and governance structures as well as administrative and program leadership; ability to verify sufficient interest from current and prospective "customers;" and the ability to demonstrate a commitment to sustain quality education programs.

**RAZA DEVELOPMENT FUND, INC. (RDF)**

Web Site: <http://www.nclr.org/content/programs/detail/895>

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

*U.S. DOE Credit Enhancement Award Total: \$13 million - Fiscal Years 2001 and 2004*

The Raza Development Fund, a support corporation of the National Council of La Raza, was established in 1998 to provide loans and technical assistance to entities serving the Latino community. RDF provides facilities financing to both start-up and seasoned charter schools serving disadvantaged, Latino, and other minority students. RDF's facilities financing program includes leasehold improvement, acquisition, construction, and mini-permanent loans; credit enhancements for senior and subordinate loans; and technical assistance for business, growth, and facilities acquisition planning.

RDF employs its \$13 million in U.S. DOE grant funds to attract the participation of traditional lenders, including Citibank, Bank of America, Prudential Insurance, and JPMorgan Chase, in individual charter school financings greater than \$750,000. Since its inception, RDF has approved financing for 24 schools in 11 states and has committed approximately \$4 million in credit enhancements. As of January 2005, ten charter school projects (some involving multiple schools) are being underwritten.

**SELF-HELP (CENTER FOR COMMUNITY SELF-HELP)**

Web Site: <http://www.self-help.org/commercialending/cf1x5.asp>

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

*U.S. DOE Credit Enhancement Award Total: \$8 million - Fiscal Years 2003 and 2004*

*NMTC Allocation: \$75 million - Fiscal Year 2002*

Self-Help provides loans and technical assistance to nonprofit and human services organizations. Loans are funded from a variety of sources including the Self-Help Credit Union, the New Markets Tax Credit Community Development Entity, and the Self-Help Ventures Fund. Since 1997, Self-Help has provided \$40 million in financing to charter schools, of which approximately 95% has been used for facilities purchase, renovation, and construction. Loans are available to charter school operators and/or affiliates and landlords that provide real estate or management services to charter schools. Nonprofit and for-profit organizations as well as individuals are eligible to apply.

Facilities loans range from \$200,000 to \$5 million, 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 15-20 year amortizations and five-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 its \$8 million in U.S. DOE funds as credit enhancement to make higher risk loans, to provide more favorable terms to charter schools, and to expand its geographic focus. It projects leveraging its U.S. DOE grant funds into \$80 million in loans to charter schools over a ten-year period. Self-Help has committed nearly \$20 million of its \$75 million NMTC allocation to charter school projects.

**THE REINVESTMENT FUND, INC. (TRF)**

Web Site: <http://www.trfund.org>

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

*U.S. DOE Credit Enhancement Award Total: \$6.4 million - Fiscal Year 2001*

*(Joint award with NCB Development Corporation and FOUNDATIONS, Inc.)*

*NMTC Allocation: \$38.5 million - Fiscal Year 2003*

The Reinvestment Fund utilizes traditional financing mechanisms and innovative strategies, such as NMTCs and loan pools, to provide facilities loans, bridge loans, and cash flow loans to charter schools in

the mid-Atlantic region. Its funds have created or preserved approximately 12,000 charter school slots. In 2001, TRF partnered with NCB Development Corporation and FOUNDATIONS, Inc. to create the Charter School Capital Access Program (CCAP). This \$45 million loan fund, which is administered by NCB Development Corporation, is credit enhanced by \$6.4 million in U.S. DOE grant funds. Loans finance the acquisition, renovation, construction, and leasehold improvement of charter schools. TRF plans to utilize a portion of its NMTC allocation to fund charter school projects in low-income areas in Central and Southern New Jersey, Northern Delaware, and Southeastern Pennsylvania.

#### OTHER PRIVATE INITIATIVES

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

#### **AMERICA'S CHARTER SCHOOL FINANCE CORPORATION (AMERICA'S CHARTER)**

Web Site: <http://www.americascharter.org>

Market: Illinois, Indiana, Massachusetts, Washington, D.C., and four other states to be determined  
*U.S. DOE Credit Enhancement Award Total: \$5 million - Fiscal Year 2001*

America's Charter was founded in 2000 to support the creation and expansion of high-quality charter schools through facilities financing. America's Charter utilizes its U.S. DOE funds to guarantee individual charter school facilities loans provided by traditional lenders. Since award of the federal grant, America's Charter has raised an additional \$2 million in credit enhancement funds from The Sallie Mae Fund, the charitable arm of Sallie Mae, to guarantee facilities loans for charter schools in the District of Columbia. America's Charter has provided \$5.1 million in guarantees, leveraging \$41 million in financing, for seven schools in its four core markets. Of this total guarantee amount, \$3.8 million is currently outstanding. America's Charter plans to assist approximately 40 schools in seven states and the District of Columbia over a five-year period.

#### **BUILDING HOPE: A CHARTER SCHOOL FACILITIES FUND**

Market: Washington, D.C.

Building Hope was created by The Sallie Mae Fund to provide low-interest loans, credit enhancements, and technical assistance grants to District of Columbia charter schools for their facilities needs. Building Hope was initially capitalized in 2004 with \$28 million from The Sallie Mae Fund. The Fiscal Year 2004 District of Columbia Appropriations Act provided an additional \$2 million to the organization. To date, Building Hope has provided facilities assistance to four charter schools, creating new seats for 900 students.

#### **CHARTER SCHOOLS DEVELOPMENT CORPORATION (CSDC)**

Web Site: <http://www.csdc.org/index.php?display=Home>

Market: Arizona, Florida, Indiana, Michigan, Minnesota, Missouri, New Mexico, North Carolina, and Washington, D.C.

*U.S. DOE Credit Enhancement Award Total: \$15 million – Fiscal Years 2001 and 2004*

The Charter Schools Development Corporation was established in 1997 to assist charter schools with their facilities financing needs. It provides a variety of enhancement options, including guarantees, letters of credit, and funded reserves. CSDC employs its U.S. DOE monies to provide additional security for different types of facilities financings, including leasehold improvement, acquisition, renovation, and construction loans, and tax-exempt bond financings. CSDC has provided credit enhancements and loan guarantees to 22 charter schools in eight states, plus the District of Columbia, leveraging over \$43 million in private sector financing.

CSDC is expanding into real estate development services. It has purchased and developed two buildings, one in the District of Columbia and one in St. Paul, Minnesota, that each house two charter schools. It plans to undertake two-to-three development projects annually going forward. CSDC serves as a nonprofit landlord to the schools and provides a lease-purchase option, with the purchase option normally effective in the fifth year of the lease. CSDC does not charge an up-front fee for these development services; it uses its U.S. DOE funds to provide security to traditional lenders that provide financing for development, and it then builds its development expenses into the terms of the lease and the purchase price of the building. CSDC contracts with local providers for these development services.

**EXCELLENT EDUCATION DEVELOPMENT, INC. (EXED)**

Web Site: <http://www.exed.net>

Market: Los Angeles

NMTC Allocation: \$36 million – Fiscal Year 2002

ExED was founded in 1998 to dramatically 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 was awarded a \$36 million NMTC allocation in June 2003 to be used for the creation of charter schools facilities in low-income Los Angeles County communities. It is using its allocation to create the ExED New Markets Tax Credit Fund, the first NMTC fund designed specifically and solely for charter schools. Investors include Citibank, City National, LISC, Prudential Insurance, and Wells Fargo. The Fund will employ a “leveraged structure” in which an \$11 million equity investment is leveraged with an additional \$25 million in debt in order to earn equity investors NMTC benefits on the full \$36 million allocation. Other partners include the Low Income Investment Fund and the Broad Foundation. LIIF will analyze, underwrite, service, and monitor the project loans and will commit \$1.3 million in U.S. DOE credit enhancement grant funds to serve as a first-loss reserve. The Broad Foundation has contributed \$2 million to offset debt expenses.

The Fund will offer construction and permanent facilities loans to approximately six charter schools in low-income Los Angeles communities at an average loan size of \$6 million. Interest rates during construction are projected to be under 4% converting to approximately 6% for permanent financing, and loans are expected to have seven-year terms and 25-year amortization schedules. Since these schools are expected to be eligible for California’s Charter School Facility Grant Program (SB 740), the Fund has been structured so that this public revenue stream can be used in conjunction with Fund financing.

**INNOVATIVE SCHOOLS DEVELOPMENT CORPORATION (ISDC)**

Web Site: <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’s services include providing new school incubation and start-up support; educational management services to new schools; technical assistance and training to existing schools; and loan guarantees for new construction, renovation, and capital improvements. To date, ISDC has raised \$5 million for its guarantee program from investors, including The Rodell Charitable Foundation of Delaware, The Lynn and Foster Friess Family Foundation, MBNA America Bank, N.A., The Longwood Foundation, and The Welfare Foundation. The program provides a guarantee of approximately 30% of the loan amount in lieu of equity to help secure financing for up to 100% of project costs. ISDC has completed \$2.6 million in guarantees enabling two charter schools to obtain loans totaling \$9.35 million.

## **NCB DEVELOPMENT CORPORATION (NCBDC)**

Web Site: <http://www.ncbdc.org>

Market: Mid-Atlantic Region (Delaware, Maryland, New Jersey, New York, Pennsylvania, Virginia, and Washington, D.C.), Florida, Georgia, Minnesota, and Wisconsin

*U.S. DOE Credit Enhancement Award Total: \$18 million - Fiscal Years 2001, 2003, and 2004 (\$6.4 million Fiscal Year 2001 grant was jointly awarded to NCBDC, The Reinvestment Fund, Inc. and FOUNDATIONS, Inc.)*

*NMTC Allocation: \$75 million - Fiscal Year 2003*

NCB Development Corporation acts as a catalyst seeking to change the systems for delivering affordable housing and essential community services to low-income and underserved communities. Since 1997, NCBDC has provided more than \$40 million in 33 facilities loans to charter schools in 12 states and the District of Columbia. It provides loan monies for acquisition, renovation, construction, and leasehold improvement of charter school facilities, as well as technical assistance to charter school developers.

NCBDC has partnered with The Reinvestment Fund, Inc. and FOUNDATIONS, Inc. to offer the Charter School Capital Access Program (CCAP) to finance facilities for charter schools in the mid-Atlantic region that enroll a predominantly low-income population or that are located in predominantly low-income communities. NCBDC utilized its \$6.4 million in Fiscal Year 2001 U.S. DOE grant monies to serve as a loan loss reserve for \$45 million raised from private sources. Loans typically range from \$500,000 to \$4.5 million. With its 2003 U.S. DOE award of \$6 million, NCBDC is raising loan monies for a second loan fund to serve charter schools in Florida, Georgia, Minnesota, and Wisconsin. NCBDC plans to employ its \$5.6 million 2004 award to expand these two programs.

## **NEWSCHOOLS VENTURE FUND (NEWSCHOOLS)**

Web Site: <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 two funds: 1) a \$20 million Performance Accelerator Fund, which focuses on enhancing the capacity of traditional public school districts to produce high levels of student achievement; and 2) a \$40 million Charter Accelerator Fund, which fosters the growth of nonprofit charter school systems through investments in charter management organizations, back-office service providers, and facilities solutions providers. As discussed further below, NewSchools is supporting charter school facilities through its Charter Accelerator Fund investments in Civic Builders 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.*

## **CIVIC BUILDERS**

Web Site: <http://www.civicbuilders.org>

Market: New York City

Civic Builders was founded in 2002 to assist charter schools in New York City with their real estate challenges. Over the past two years, it has managed six school renovations in Harlem and Brooklyn and provided real estate advisory services, including assistance with site searches, site analyses, lease

negotiations, and project management, to several New York City charter schools. In August 2004, Civic Builders completed the renovation of its first facility, a building for the Bronx Charter School for the Arts. Civic Builders currently has three facilities in various stages of development.

Civic Builders has raised \$8.1 million in equity from foundations and government sources and leveraged \$4.5 million in debt and credit enhancement. In 2004, Civic Builders announced a \$1.6 million grant from NewSchools Venture Fund to create infrastructure for charter school facilities development. It recently executed a Memorandum of Understanding with the New York City Department of Education to develop charter schools with financing provided from a portion of the \$250 million in capital outlay funds included in the Mayor's most recent five-year capital plan.

#### **PACIFIC CHARTER SCHOOL DEVELOPMENT (PCSD)**

Web Site: <http://www.newschools.org/portfolio/Pacific.html>

Market: California

Pacific Charter School Development was founded in 2004 and incubated by the NewSchools Venture Fund to develop high-quality, low-cost charter school facilities in California. In partnership with the Los Angeles Unified School District, PCSD will focus initially on the creation of new public charter school buildings to help stem that school district's chronic overcrowding and accommodate the expected increase in enrollment in future years. PCSD is also working with other partners, such as Aspire Public Schools, to develop charter school facilities. In its first five years, PCSD plans to develop approximately 30 new charter school buildings that will serve more than 11,000 students. In addition to an initial operating grant of \$400,000 from the NewSchools Venture Fund, PCSD has received a \$5 million equity commitment from the Broad Foundation.

### ***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, the U.S. DOE's entrepreneurial arm that makes strategic investments in innovative educational practices. In addition, there are three other federal tax credit and/or bond financing programs that can be utilized for charter school facilities financing.*

#### **CREDIT ENHANCEMENT FOR CHARTER SCHOOL FACILITIES PROGRAM**

Web Site: <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 guaranteeing 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 antecedent, the Charter School Facility Financing Demonstration Grant Program) has awarded approximately \$87 million in grant funds to nine recipients in Fiscal Years 2001, 2003, and 2004. \$37 million has been appropriated for this program for Fiscal Year 2005, with applications due by May 31, 2005. President Bush has included \$37 million for this program in his Fiscal Year 2006 budget.

**Credit Enhancement for Charter School Facilities Program Recipients  
(\$ in Millions)**

<b>Recipient</b>	<b>2001</b>	<b>2003</b>	<b>2004</b>	<b>Total</b>
America's Charter School Finance Corp.	\$5.0	\$--	\$--	\$5.0
Charter Schools Development Corporation	6.4	--	8.6	15.0
Dept. of Banking & Financial Institutions*	--	--	5.0	5.0
Raza Development Fund, Inc.	4.2	--	8.8	13.0
Low Income Investment Fund	3.0	--	--	3.0
Local Initiatives Support Corporation	--	6.0	4.0	10.0
Massachusetts Development Finance Agency	--	6.0	4.0	10.0
NCB Development Corporation**	6.4	6.0	5.6	18.0
<u>Self-Help</u>	<u>--</u>	<u>6.7</u>	<u>1.3</u>	<u>8.0</u>
<b>Total</b>	<b>\$25.0</b>	<b>\$24.7</b>	<b>\$37.3</b>	<b>\$87.0</b>

\* The program funded with this award will be administered by the District of Columbia's Office of Public Charter School Financing and Support.

\*\* The \$6.4 million Fiscal Year 2001 grant was jointly awarded to NCB Development Corporation, The Reinvestment Fund, Inc. and FOUNDATIONS, Inc.

**STATE CHARTER SCHOOL FACILITIES INCENTIVE GRANTS PROGRAM**

Web Site: <http://www.ed.gov/programs/statecharter/index.html>

Statutory Reference: <http://www.ed.gov/policy/elsec/leg/esea02/pg62.html#sec5205> (Section 5205(b))

This federal program assists charter schools with facilities costs by providing federal funds on a competitive basis to states to establish or enhance and administer per pupil facilities aid programs on a declining matching basis. The program is intended to encourage states to develop and expand per pupil facilities aid programs and to share in the costs associated with charter school facilities funding. The program was created under section 5205(b) of the Elementary and Secondary Education Act as amended by the No Child Left Behind Act of 2001 (NCLB).

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. The U.S. DOE awards 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 as well as 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.

There are two ways that this program is funded: 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, excess funds above \$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. For 2005, just under \$17 million was appropriated. President Bush has included \$19 million in the 2006 budget. All these appropriations are from overflow from PCSP.

**State Charter School Facilities Incentive Grants Program Recipients  
(\$ in Millions)**

<b>Jurisdiction</b>	<b>Agency or Department</b>	<b>Amount</b>
California	California Finance Authority	\$9.85
Minnesota	Minnesota Department of Education	5.00
Utah	Utah State Office of Education	2.79
<u>Washington, D.C.</u>	District of Columbia Public Schools	<u>1.06</u>
<b>Total</b>		<b>\$18.70</b>

**NEW MARKETS TAX CREDIT (NMTC) PROGRAM**

Congress created the New Markets Tax Credit Program in 2000 to encourage capital investment in low-income communities. The program is designed to generate \$15 billion in new private sector investments through the provision of a tax credit of 39 cents over seven years for each equity dollar invested. To date, \$6 billion of tax credit allocation authority has been awarded to qualifying Community Development Entities (CDEs) through a competitive process administered by the Community Development Financial Institutions Fund. Another \$2 billion is available in the third round of the program for which applications were due in October 2004.

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 projects encompass the development of community facilities, including those for charter schools. With the capital supplied by investors attracted by the NMTC, CDEs can make equity investments in, or more commonly loans to, charter schools for facilities projects in qualifying low-income census tracts. Loans to charter schools employing NMTC capital can often be provided on more favorable terms than those the schools could otherwise obtain in the market. 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 following table.

**New Markets Tax Credit Program Recipients  
Utilizing Allocations to Finance Charter School Facilities\*  
(\$ in Millions)**

<b>Recipient</b>	<b>2002</b>	<b>2003</b>	<b>Total</b>
Excellent Education Development, Inc.	\$36.0	\$--	\$36.0
Illinois Facilities Fund	10.0	--	10.0
Local Initiatives Support Corporation	65.0	--	65.0
NCB Development Corporation	--	75.0	75.0
Self-Help	75.0	--	75.0
<u>The Reinvestment Fund, Inc.</u>	<u>--</u>	<u>38.5</u>	<u>38.5</u>
Total	\$186.0	\$113.5	\$299.5
Total Allocated	\$2,500.0	\$3,500.0	\$6,000.0

\* 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**

The QZAB Program was created by the Federal Taxpayers' Relief Act of 1997 to assist state and local educational agencies in financing the renovation and repair (not construction) of public school facilities in impoverished school districts. Individual states receive allocations of QZABs, or revenue bonds, with each state determining what portion of its allocation, if any, will be dedicated to charter schools versus traditional public schools. Through the program, the federal government provides a tax credit in lieu of the low interest that local districts normally pay on general obligation bonds. The borrower is then responsible for repaying only the principal amount, significantly reducing the cost of financing.

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 the students are eligible for the federal free or reduced-price lunch program. Schools that benefit from QZABs are also required to receive cash or in-kind donations from private entities worth at least 10% of the principal amount. To date, QZABs have been used most widely for charter schools in Massachusetts. In January 2005, the Commonwealth's School Building Assistance (SBA) program issued a request for proposals (with a March 2005 deadline) to award an additional \$20 million in QZABs to district and charter schools throughout Massachusetts. QZABs have also been employed in California and Arizona, among other states. Certain states, such as New York, have not yet designated any of their allocation for charter schools.

**QUALIFIED PUBLIC EDUCATION FACILITY (QPEF) BOND PROGRAM**

The QPEF Bond Program, established in 2001 and first available in 2002, facilitates the issuance of \$3 billion per year in tax-exempt, private-activity bonds. Under this federal program, each state has a statutory limit on total allocations that must be used within four years. Individual states must also create legislation to allow charter schools to be direct recipients. QPEFs can be used to construct, rehabilitate, refurbish, or equip a public school facility. Bond proceeds are loaned, on a tax-exempt basis, to private, for-profit companies to develop land and/or school buildings that are then leased back to the school district or school. The private developer's letter of credit and operating history are used to determine the bond's credit rating and interest rate. Lease payments from the schools are used to make payments to bondholders, and when the bond matures, ownership transfers to the public sector. QPEFs have not been used to date in the charter school sector.

## STATE PROGRAMS

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

### **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)

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 \$1,304 per pupil in kindergarten through grade eight and \$1,520 per pupil in grades nine through 12.

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

Statutory Reference:

<http://www.azleg.state.az.us/FormatDocument.asp?inDoc=/ars/15/00188.htm&Title=15&DocType=ARS>

In 1995, the Stimulus Fund was established for the purpose of providing financial support to charter schools for start-up costs and costs associated with renovating existing facilities. Individual grants are capped at \$100,000, and each charter school is limited to one initial grant and one additional grant regardless of the amount awarded. The Fund is administered by the State Department of Education; however, no monies have been appropriated to the Fund in the last seven years.

#### ***Industrial Development Authority Conduit Financing***

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

### **CALIFORNIA**

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

Web Site: <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 or reduced-price lunch program.

### ***Charter School Facility Program (CSFP)***

Web Site: [http://www.opsc.dgs.ca.gov/Programs/chart\\_sch\\_fac.htm](http://www.opsc.dgs.ca.gov/Programs/chart_sch_fac.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 School Facility 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.
- Proposition 47, approved by the voters in November 2002, provided the CSFP with \$100 million in bond funding which was awarded to six applicants in July of 2003. Proposition 55, approved in March 2004, provided an additional \$300 million in bond funding which was awarded to 28 applicants in February of 2005.
- CSFP funding is only available to charter schools that are located in school districts with new construction eligibility, 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 lieu of the 50% local school district match requirement for all SAB new construction grants, successful CSFP applicants are provided a lease option from the State whereby the school can borrow from the State in lieu of raising matching funds. Lease/loan payments for the six Proposition 47 grantees were estimated using a 3% interest rate and a 30-year term.

### ***State Charter School Facilities Incentive Grants Program***

Web Site: <http://www.ed.gov/programs/statecharter/awards.html>

In 2004, the State of California also received a first-year grant of \$9.85 million from the U.S. Department of Education's State Charter School Facilities Incentive Grants Program that it will use to expand its Charter School Facility Program.

### ***Charter School Revolving Loan Fund***

Web Site: <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 41365-41367)

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 that are not more than five years old. 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 based on the earnings in the Pooled Money Investment Account, generally three-to-five percentage points below rates provided by private lenders. As of the State's 2004-2005 fiscal year, approximately \$13.8 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. Although it is unclear how consistently it is being applied on a district-by-district basis, survey data indicates that an estimated 50 charter schools have received facilities or funding from school districts under the terms of this law.

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

Web Site: <http://www.cacommunities.com>

Statutory Reference:

<http://www.leginfo.ca.gov/cgi-bin/displaycode?section=gov&group=06001-07000&file=6500-6534>

Charter schools in California 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. The CSCDA 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, the CSCDA 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.

**COLORADO**

***Charter Schools Capital Construction Funding***

Web Site: <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 => Art. 54 Public School Finance Act of 1994 => 22-54-124)

Pursuant to section 22-54-124 of the Colorado Revised Statutes, charter schools in Colorado are entitled to per pupil facilities aid from the State education fund for capital construction. Eligible uses include the construction, remodeling, financing, purchase, or lease of land, buildings, or facilities for charter schools. Current legislation stipulates that the total amount of education fund monies to be appropriated for this per pupil facilities program for Fiscal Year 2003-2004 and each year thereafter will be \$5 million. 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 \$171 per pupil in the current Fiscal Year 2004-2005 as the number of Colorado students in charter schools has increased.

***Moral Obligation Provision***

Statutory Reference: <http://www.cde.state.co.us/cdechart/chact.htm> (Section 22-30.5-407 & 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://www.cde.state.co.us/cdechart/chact.htm> (Sections 22-30.5-404 & 405)

The Colorado Charter School Capital Facilities Financing Act of 2002 stipulates that each school district considering submitting a bond approval request for facilities needs to district voters invite district charter schools to participate in discussions and encourages districts to voluntarily include charter schools'

funding needs regardless of the schools' compliance with the submission process. Conversely, charter schools were authorized to request inclusion in their school district's bond approval request.

To date, five school districts have included charter school requests in their ballot questions. 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. Eagle County School District included a \$1.1 million request for Eagle County Charter Academy in its \$48 million 2002 ballot question, and the Pueblo County School District included funding for three charter schools operating in district facilities in its \$104 million 2002 ballot question.

A charter school may also submit a ballot question for approval of a special mill levy solely for its facilities. If the majority votes in favor of the mill levy, taxes will be levied, and the charter school will receive the revenues generated from the mill levy. Three charter schools brought ballot questions before district voters under this provision, none of which were successful. The Act also requires that any charter school capital construction financed with bond revenues not be encumbered with any additional debt.

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

Web Site: <http://www.cecfa.org>

In Colorado, lower-cost, tax-exempt bond financing may be raised 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.

### **CONNECTICUT**

#### ***Facility Grant***

Statutory Reference:

<http://www.cga.ct.gov/2001/SUM/2001SUM00001-R00HB-07502-JSS-SUM.htm>

(Section: Charter Schools - Renovation Grants)

In 2001, Connecticut enacted legislation and appropriated funds for Fiscal Years 2001-2002 and 2002-2003 to provide one-time facilities grants of up to \$500,000 to charter schools whose charters had been renewed in the preceding fiscal year. Eligible uses included renovation, construction, purchase, extension, replacement, or major alteration; general school building improvements; and repayment of debt from prior school building projects. However, the legislation was not renewed and no funds were appropriated for Fiscal Years 2003-2004 or 2004-2005. The State Department of Education plans to submit legislation and a request for appropriation for several schools who become eligible in Fiscal Years 2005-2006 and 2006-2007.

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

Web Site: <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-178 and 10a-179 in Database: Statutes – Section Text (2005))

Connecticut charter schools may access low-interest, tax-exempt debt financing through the Connecticut Health and Educational Facilities Authority. CHEFA was created in 1965 to serve as a conduit issuer of tax-exempt debt for eligible health, educational, and cultural nonprofit organizations in Connecticut.

## FLORIDA

### *Charter School Capital Outlay Funding*

Web Site: <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=->2004->Ch1013->Section%2062#1013.62](http://www.flsenate.gov/statutes/index.cfm?App_mode=Display_Statute&Search_String=&URL=Ch1013/SEC62.HTM&Title=->2004->Ch1013->Section%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 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. Depending on actual appropriations, the program has been funded at a percentage of charter school projected student enrollment multiplied by 1/15<sup>th</sup> 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. The appropriation for this program has remained constant at \$27.7 million for the past four years, with funding currently at approximately 45%. In Fiscal Year 2004-2005, the annualized monthly distribution has averaged \$393, \$450, and \$596 per elementary, middle, and high school student, respectively.

### *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)

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.

## GEORGIA

### *Facilities Fund for Charter Schools*

Statutory Reference: [http://www.legis.state.ga.us/cgi-bin/gl\\_codes\\_detail.pl?code=20-2-2068.2](http://www.legis.state.ga.us/cgi-bin/gl_codes_detail.pl?code=20-2-2068.2)

The Charter Schools Act of 1998 stipulates that if a local district board owns charter school facilities, it is required to renovate, repair, and maintain them to the same extent as other public schools in the district. In addition, in 2004 amendments to the Act, the Georgia General Assembly directed the State Board of Education to establish a need-based, per pupil facilities aid program by creating a facilities fund for local charter schools and State chartered special schools. Eligible uses of funds include the purchase of real property; construction of school facilities; purchase or lease of 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 during its most recent session to fund the program in Fiscal Year 2006. The State Board of Education is in the process of determining program regulations, and it is unclear at this time if Georgia's program will be based solely on student enrollment, with each non-conversion charter school receiving the same amount per pupil or if school facility projects will be ranked, with certain schools receiving awards with maximum per pupil amounts and other schools receiving no funds.

### ***Conduit Financing***

Statutory Reference: [http://www.legis.state.ga.us/cgi-bin/gl\\_codes\\_detail.pl?code=36-62-6](http://www.legis.state.ga.us/cgi-bin/gl_codes_detail.pl?code=36-62-6)

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

### **ILLINOIS (AND CHICAGO)**

#### ***Illinois Finance Authority (IFA) Conduit Financing***

Web Site: <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+Auth  
ority+Act%2E](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)

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. The IFA was created in January 2004 through the consolidation of seven statewide authorities. Charter schools in Illinois may access lower-cost, tax-exempt revenue bond and lease financing for capital projects through the Authority.

#### ***Chicago Public Schools (CPS) and Renaissance 2010***

Web Site: <http://www.ren2010.cps.k12.il.us/overren.shtml>

Chicago Public Schools has been supportive of the facilities needs of Chicago's charter schools. In 1997, CPS made a \$2 million grant to the Illinois Facilities Fund to create the Charter School Loan Fund. IFF employs these funds on a revolving basis to provide facilities loans to charter schools. In 2003, CPS guaranteed \$4.5 million of a \$5.5 million financing for Perspectives Charter School, pledging to assume ownership of the facilities should the school default. In addition, CPS currently provides district facilities to six charter schools.

In June 2004, Chicago Mayor Daley announced Renaissance 2010, an overarching plan addressing low performance, under-utilization of Chicago Public Schools buildings, lack of high school options, and over-crowding. Under the plan, at least 100 new schools will be created over the next six years. Approximately two-thirds of these new schools will be run independently as charter or contract schools, and the remaining third will be run by CPS. CPS plans to open 18 Renaissance schools, including seven approved charter schools, in the fall of 2005. Facilities considerations are an integral component of Renaissance 2010, including the development of new facilities where necessary to relieve over-crowding.

### **INDIANA (AND INDIANAPOLIS)**

#### ***Conduit Financing & Moral Obligation Pledge***

*Indiana Bond Bank*

Web Site: <http://www.in.gov/bond>

*Indianapolis Local Public Improvement Bond Bank*

Web Site: [http://www6.indygov.org/bond\\_bank/index.htm](http://www6.indygov.org/bond_bank/index.htm)

Statutory Reference: <http://www.ai.org/legislative/ic/code/title5/ar1.4/ch1.html#IC5-1.4-1-10> and  
<http://www.ai.org/legislative/ic/code/title5/ar1.5/ch1.html#IC5-1.5-1-8>

In 2002, the Indiana State Legislature authorized charter schools in Indianapolis that are sponsored by the Mayor to obtain financing through the Indianapolis Local Public Improvement Bond Bank and charter schools other than those sponsored by the Mayor of Indianapolis 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. See "Public-Private Partnerships" for a description of the moral obligation program in Indianapolis.

## **MASSACHUSETTS**

### ***Per Pupil Facilities Allocation***

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

As part of its budget process, Massachusetts has appropriated approximately \$2 million annually for a per pupil facilities allowance for its charter schools. Over the past three years, this allowance has ranged between a high of \$175 per pupil in Fiscal Year 2002 to a low of \$129 per pupil in Fiscal Year 2004.

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

*U.S. DOE 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. MassDevelopment has provided approximately \$90 million in financing to 12 charter schools since 1995 and also completed the first Qualified Zone Academy Bond in the Commonwealth for a charter school. In addition, MassDevelopment has received \$10 million in U.S. DOE 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."

## **MICHIGAN**

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

Web Site: [http://www.michigan.gov/treasury/0,1607,7-121-1752\\_21360---,00.html](http://www.michigan.gov/treasury/0,1607,7-121-1752_21360---,00.html)

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 public school academies (charter schools) through its bonding and loan programs. The Qualified Public Educational Facilities Bond Program is intended to facilitate the issuance of over \$99 million per year of tax-exempt bonds; however no QPEFs have been issued to date. The MPEFA also offers a Long-Term Facilities Financing Program for Public School Academies. Funds from the program may be used to finance land, facilities, equipment, and energy conservation improvements and to refinance existing debt. In 2003 and 2004, two charter schools obtained long-term bond financing totaling approximately \$7 million through this program.

## **MINNESOTA**

### ***Per Pupil Building Lease Aid Program***

Statutory Reference: <http://www.revisor.leg.state.mn.us/data/revisor/statutes/2004/124D/11.html>

(Subd. 4)

In 1996, the State of Minnesota established an appropriated per pupil building lease aid program. For schools approved for opening in 2003 and subsequent years, the program offers aid totaling 90% of the actual cost of leasing or up to \$1,200 per pupil. Schools with earlier established leases and bond payment schedules may receive up to \$1,500 per pupil. The 10% balance of facility costs that charter schools pay is designed to ensure that schools lease appropriate and reasonable facilities.

***State Charter School Facilities Incentive Grants Program***

Web Site: <http://www.ed.gov/programs/statecharter/awards.html>

In 2004, Minnesota received a \$5 million first-year grant from the U.S. DOE's State Charter School Facilities Incentive Grants Program. This first-year grant funding will be divided into facility improvement sub-grants targeted to charter schools in geographic areas with low student achievement. In subsequent years, these federal funds will augment Minnesota's per pupil building lease aid program described above. In addition, the grant funding will be used to provide technical assistance regarding creative and appropriate facilities for schools and to disseminate best practices in cost-effective facility planning and 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. However, charter schools have access at the county and city levels through conduit issuers, such as the Housing and Redevelopment Authority of St. Paul.

**MISSOURI**

***Missouri Health & Educational Facilities Authority (MH&EFA) Conduit Financing***

Web Site: <http://www.mohefa.org>

Statutory Reference: <http://www.moga.state.mo.us/STATUTES/C360.HTM>

The Missouri Health and Educational Facilities Authority was created by the State General Assembly as a conduit issuer for public and private nonprofit health and educational institutions. To date, MH&EFA has issued bonds for two charter schools, \$6 million for the St. Louis Charter School in November of 2002 and \$2.6 million for Academie Lafayette in Kansas City in January of 2003.

**NEW YORK (AND NEW YORK CITY)**

***Charter Schools Stimulus Fund***

Statutory Reference: <http://public.leginfo.state.ny.us/menugetf.cgi?COMMONQUERY=LAWS>

(STF – State Finance => Article 6 – Funds of the State => 97-SSS – Charter Schools Stimulus Fund)

The New York State Charter Schools Stimulus Fund was established in 1998 as part of the State's governing charter statute to provide discretionary financial support to charter schools for start-up costs and for costs associated with the acquisition, renovation, or construction of school facilities. In June 2002, \$3.8 million was appropriated for these purposes for the 2002-2003 and 2003-2004 school years. In June 2004, an additional \$3.8 million was appropriated for the 2004-2005 and 2005-2006 school years. Funds are allocated by formula to the State University of New York (SUNY) and the New York State Board of Regents in accordance with the number of charters approved by these two authorizers in the prior year. Grants are capped at \$300,000, and preference is given to newer schools, primarily those in their first year of operation.

***New York City Capital Outlay for Charter Schools***

Web Site:

[http://www.nycsca.org/pdf/does5yearplan.pdf?bcsi\\_scan\\_69B1CF94562E7761=0&bcsi\\_scan\\_filename=does5yearplan.pdf](http://www.nycsca.org/pdf/does5yearplan.pdf?bcsi_scan_69B1CF94562E7761=0&bcsi_scan_filename=does5yearplan.pdf)

In the fall of 2003, Mayor Bloomberg 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. In addition, the City established the New York City Center for Charter School Excellence, a nonprofit organization that is governed by an independent board of directors, to support the initiative. The Center was launched with \$41 million in private support from the Clark Foundation, the Pumpkin Foundation (Beginning with Children), the Robertson Foundation, and the Robin Hood Foundation and works in conjunction with the New York City Department of Education to support charter schools. In his \$13 billion Fiscal Year 2005-2009 capital outlay budget, Mayor Bloomberg included \$250 million for charter school facilities. Half of this amount is predicated upon the successful outcome of the Campaign for Fiscal Equity's (CFE) case against the State of New York. The City plans to distribute these capital outlay monies in the form of grants. The City Department of Education will contribute up to two-thirds of the project cost, based on the number of students served, with schools contributing one-third either through philanthropic dollars or a mix of equity and financing.

### ***Conduit Financing***

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

## **NORTH CAROLINA**

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

Web Site:

<http://www.treasurer.state.nc.us/DSTHome/StateAndLocalGov/FiscalAndDebtMgmt/AboutDebtMgmt.htm>

Statutory Reference:

[http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/ByChapter/Chapter\\_159D.html](http://www.ncga.state.nc.us/EnactedLegislation/Statutes/HTML/ByChapter/Chapter_159D.html)

Charter schools in North Carolina are eligible for tax-exempt bond financing through the North Carolina Capital Facilities Finance Agency, a public agency within the Department of the State Treasurer.

## **OHIO**

### ***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, and the Department of Education's Office of Community Schools does not anticipate its implementation in the future. It was intended to assist start-up charter schools 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 start-up costs.

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

Web Site: <http://www.osfc.state.oh.us/Programs/GLP/GuaranteedLoanProgram.htm>

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 => Section 3318.52. Community school loan guarantee fund and Section 3318.50. Classroom facilities loan guarantee program)

Through this program, which is administered by the Ohio School Facilities Commission (OSFC), charter schools can apply for a State guarantee for facilities loans. The program was established in 2001 with an appropriation of \$10 million. Guarantees may be used to assist charter schools to lease, purchase, remodel existing facilities, or construct new facilities. The OSFC will guarantee up to 85% of the sum of the principal and interest on a loan for a term of 15 years. The guarantee cannot exceed \$1 million to purchase or renovate an owned facility, or \$500,000 for lease-hold improvements. While this program was originally limited to start-up charter schools, in 2003, the program was amended to allow the participation of all charter schools. To date, 14 charter schools have received loan guarantees totaling over \$7.6 million.

## **OKLAHOMA**

### ***Charter Schools Incentive Fund***

Statutory Reference: <http://www.sos.state.ok.us/documents/Legislation/49th/2004/2R/SB/713.pdf>

In 1999, the Oklahoma State 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. The Fund was established as a continuing fund that is not subject to fiscal year limitations, consisting 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 at the time of its creation with a \$1 million appropriation. However, \$300,000 was subsequently diverted to educational purposes unrelated to charter schools. In 2004, an additional \$50,000 was appropriated, and the legislation creating the Fund was amended to authorize the State Department of Education to allocate funds on a per pupil basis (in order to qualify as matching funds for the U.S. DOE's State Charter School Facilities Incentive Grants Program).

## **RHODE ISLAND**

### ***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 in Rhode Island to obtain access to state aid for reimbursement of "school housing" (facilities) costs through their public school district or districts pursuant to state legislation which is designed to 1) guarantee adequate facilities for all public school children in the State; and 2) prevent the cost of facilities from interfering with effective operation of the schools. Charter schools that are not sponsored by a district may apply for 30% reimbursement of facilities costs on the basis of demonstrated need. It is anticipated that the first district sponsored and non-district sponsored charter schools will apply for funding under this statute in the 2004-2005 academic year.

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

Web Site: <http://www.rihebc.com>

Statutory Reference: <http://www.rilin.state.ri.us/Statutes/TITLE45/45-38.1/45-38.1-4.HTM>

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 three additional offerings for a total of approximately \$21 million for charter school facilities.

## TEXAS

### *Texas Public Finance Authority (TPFA) Conduit Financing*

Web Site: <http://www.tpfa.state.tx.us>

Statutory Reference:

<http://www.capitol.state.tx.us/statutes/docs/ED/content/htm/ed.003.00.000053.00.htm#53.351.00>

Pursuant to Section 53.351 of the Texas Education Code enacted in 2001, the Texas Public Finance Authority has established a nonprofit corporation to issue revenue bonds on behalf of authorized open-enrollment charter schools for the acquisition, construction, repair, or renovation of educational facilities. The TPFA, which was created in 1984 by the Texas Legislature, serves as a conduit issuer for certain agencies and institutions of higher education. In December 2004, the TPFA issued \$14 million in charter school facilities debt for the School of Excellence in Education in San Antonio.

## UTAH

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

Web Site: <http://www.ed.gov/programs/statecharter/awards.html>

Statutory Reference: <http://www.le.state.ut.us/~code/TITLE53A/htm/53A02030.htm>

In 2003, Utah created the Local Revenue Replacement Program, which as of Fiscal Year 2004, 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. Utah law requires that a minimum of 10% of the grant monies provided by the annual appropriation be expended for facilities. This facilities dedication, which totals approximately \$594,848, or \$101 per pupil, for Fiscal Year 2005, may be used for the purchase, construction, renovation, or renting of a facility; leasehold improvements; debt service; or land acquisition. In 2004, the State of Utah received a first-year grant of approximately \$2.8 million from the U.S. DOE's Charter School Facilities Incentive Grants Program which it will use to augment its per pupil facilities program.

### *Charter School Revolving Loan Fund*

Statutory Reference: <http://www.rules.utah.gov/publicat/code/r277/r277-487.htm>

In 2003, Utah established the Charter School Revolving Loan Fund with an appropriation of \$2 million for the construction, renovation, and purchase of facilities. The maximum amount per loan 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.

## WASHINGTON, D.C.

### *Per Pupil Facilities Allocation*

Statutory Reference: <http://dccode.westgroup.com/Find/Default.wl?DocName=DCCODES38-2908&FindType=W&DB=DC-TOC-WEB%3BSTADCTOC&RS=WLW2%2E07&VR=2%2E0>

Charter schools in the District of Columbia are provided an annual per pupil facilities allowance based on the Charter School Facilities Allowance Formula, which is a five-year rolling average of District of Columbia Public Schools (DCPS) per pupil facilities expenditures. In Fiscal Year 2004, the allowance was \$1,981. The allowance was raised to \$2,380 in Fiscal Year 2005 and is projected to be \$2,775 in Fiscal Year 2006.

### ***City Build Charter School Initiative***

Statutory Reference:

[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108\\_cong\\_public\\_laws&docid=f:publ199.108](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_cong_public_laws&docid=f:publ199.108) (Page 118 STAT. 117 – Federal Payment for School Improvement) and [http://thomas.loc.gov/cgi-bin/cpquery/?&db\\_id=cp108&r\\_n=sr142.108&sel=TOC\\_63632&](http://thomas.loc.gov/cgi-bin/cpquery/?&db_id=cp108&r_n=sr142.108&sel=TOC_63632&) (Expanding Charter Schools)

The City Build Charter School Initiative is a congressionally funded program providing incentive grants to charter schools that plan to locate within 12 neighborhoods that have been identified by the Brookings Institution as the best near-term hope for attracting residents to and retaining residents in the District of Columbia. The Fiscal Year 2004 District of Columbia Appropriations Act included \$5 million for the program to create five new charter schools. The Fiscal Year 2005 Appropriations Act earmarked another \$2 million for the initiative. Applicants are evaluated in part on their school's ability to contribute to and encourage economic development in a specific neighborhood by: attracting business investment; stabilizing and increasing the population; and encouraging community collaboration. Funds from this program may be used at the charter schools' discretion; however, most of the grant recipients to date intend to use the monies for facilities.

### ***Public Charter School Facilities Aid Program/State Charter School Facilities Incentive Grants Program***

Web Site: <http://www.ed.gov/programs/statecharter/awards.html>

The District of Columbia was a 2004 recipient of a \$1 million State Charter School Facilities Incentive Grant from the U.S. DOE for the District's Public Charter School Facilities Aid Program. There are two components to this program:

- General Facilities Allowance - This component will provide a per pupil facilities allowance to eligible charter schools based on estimated student enrollment for Fiscal Year 2005. To be eligible, a charter school must provide evidence that 65% of its student population participates in the federal free or reduced-price lunch program. The amount of funding allocated to this component is approximately two-thirds of the total program budget.
- School Choice Allowance - This component will provide an additional per pupil facilities allowance to eligible charter schools also based on estimated Fiscal Year 2005 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 Adequately Yearly Progress for two consecutive years. The amount of funding allocated for this component comprises approximately one-third of the total program budget.

### ***Direct Loan Fund for Charter School Improvement***

Statutory Reference:

[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108\\_cong\\_public\\_laws&docid=f:publ007.108](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=108_cong_public_laws&docid=f:publ007.108) (Page 117 STAT. 112 – Federal Payment to the District of Columbia for Public Charter School Facilities) and (Sec. 143. (b) – Page 117 STAT. 131)

The District of Columbia's Direct Loan Fund for Charter School Improvement was established pursuant to the Fiscal Year 2003 District of Columbia Appropriations Act to provide loan funds for the construction, purchase, renovation, and maintenance of charter school facilities. Approximately \$13.7 million (net of administrative fees) in federal appropriations have been earmarked for this initiative to

date, including appropriations for Fiscal Year 2005. Eligibility is restricted to schools with a charter in effect pursuant to the District of Columbia School Reform Act of 1995 that meet or exceed the performance goals outlined in their charters. Loans distributed through the Fund are capped at \$2 million per school. The Office of Charter School Financing and Support, which administers the Fund, determines the interest rate and terms for the loans; however, federal legislation stipulates that the Office “should do its best” to provide low interest rate options and flexible terms. To date, the Fund has provided loans to 14 charter schools.

#### ***Public Charter School Credit Enhancement Fund***

Statutory Reference:

[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=106\\_cong\\_public\\_laws&docid=f:publ522.106](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=106_cong_public_laws&docid=f:publ522.106) (Sec. 161.)

This program was established by the Fiscal Year 2000 District of Columbia Appropriations Act to provide credit enhancement to facilitate the purchase, construction, and/or renovation of facilities for District of Columbia charter schools. The revolving fund was initially funded with an appropriation of \$5 million, and approximately \$18 million in total federal funds have been appropriated to date. The Fund is administered jointly by the District of Columbia Public Charter School Credit Enhancement Fund Committee and the Mayor of the District of Columbia. Grants are available to charter schools and nonprofit organizations that promote charter school credit enhancement and that act on behalf of two or more schools. To date, five schools have employed enhancement monies to take advantage of more favorable lease-hold improvement, conventional mortgage, bond financing, and small direct loan programs that otherwise would have been inaccessible or unaffordable.

#### ***Department of Banking and Financial Institutions - U.S. Department of Education Credit Enhancement for Charter School Facilities Award***

*U.S. DOE Credit Enhancement Award Total: \$5 million - Fiscal Year 2004*

The District of Columbia will utilize its U.S. DOE funds for a demonstration model of an incubator facility or facilities for District of Columbia charter schools. The program will be implemented by the Office of Public Charter School Financing and Support, which currently administers the Direct Loan Fund for Charter School Improvement and the Public Charter School Credit Enhancement Fund.

#### ***Revenue Bond Program***

Web Site: <http://dcbiz.washingtondc.gov/info/rb.shtm>

Statutory Reference: <http://dccode.westgroup.com/Find/Default.wl?DocName=DCCODES1-204%2E90&FindType=W&DB=DC-TOC-WEB%3BSTADCTOC&RS=WLW2%2E07&VR=2%2E0>

The Balanced Budget Act of 1997 granted the District of Columbia the authority to issue tax-exempt revenue bonds to finance the acquisition, construction, and renovation of eligible capital projects owned by nonprofit institutions, including charter schools. The Revenue Bond Program provides below market interest rate loans to qualified organizations from funds generated through 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.

## ***PUBLIC-PRIVATE PARTNERSHIPS***

### **INDIANAPOLIS CHARTER SCHOOLS FACILITIES FUND**

Web Site: <http://www.indygov.org/eGov/Mayor/Education/Charter/home.htm>

Market: Mayor-sponsored charter schools in Indianapolis

The Indianapolis Mayor's Charter Schools Office and the Indianapolis Local Public Improvement Bond Bank (Bond Bank) are in the final stages of development of a facilities loan program for Mayor-sponsored charter schools. In partnership with LISC, the Annie E. Casey Foundation and Bank One, Indianapolis is designing a program that will provide financing to approximately 15 charter schools for the acquisition, construction, renovation, and leasehold improvement of their facilities. Loans for owned facilities will be available at seven-year terms with 15-year amortizations, and loans for leased facilities will be available for five-year terms and seven-year amortizations. Interest rates will be determined at the time of issuance and are currently projected at below 6%.

The Bond Bank will serve as a conduit, borrowing up to \$20 million from Bank One, and relending proceeds to individual schools. The City will attach its moral obligation pledge to all loans, thus pledging to pay debt service in case of default by participating schools and providing significant credit enhancement to Bank One on behalf of participating schools. LISC and the Annie E. Casey Foundation will each provide a \$1 million guarantee, and individual schools will make cash deposits to two reserves to further secure this debt, thereby reducing the City's moral obligation exposure.

### **MASSACHUSETTS CHARTER SCHOOL LOAN GUARANTEE FUND**

Web Site: <http://www.massdevelopment.com>

Market: Massachusetts

*U.S. DOE Credit Enhancement Award Total: \$10 million - Fiscal Years 2003 and 2004*

With its \$10 million in U.S. DOE grant funds, the Massachusetts Development Finance Agency established the Massachusetts Charter School Loan Guarantee Fund. Created in partnership with and with support from the Massachusetts Charter School Association, the Massachusetts Department of Education Charter School Office, The Boston Foundation, LISC, and CEOs for Fundamental Change in Education, the Fund will guarantee debt for the acquisition, construction, renovation, and leasehold improvement of charter school facilities in Massachusetts. The federal grant monies will be matched by \$1 million from MassDevelopment, \$2.5 million from The Boston Foundation and \$2 million from LISC. The \$15.5 million in total credit enhancements will be used to leverage financing from traditional lenders. MassDevelopment expects to commit the Fund within a three-year period. MassDevelopment's lending division will administer the Fund and oversee its daily operations.

**Summary of Charter School Facility Funding & Financing Providers:  
Private Nonprofit Organizations & Public-Private Partnerships**  
(as of February 2005)

Provider	Year Initiative Began	Market	Technical Assistance	Grants	Loans	Credit Enhance- ments	NMTC Allocation (\$ in Millions)	U.S. DOE Credit Enhancement (\$ in Millions)
<b>Community Development Financial Institutions (CDFIs)</b>								
Community Loan Fund	1998	Western PA			✓			
Illinois Facilities Fund	1997	IL	✓		✓		\$10.0	
Local Initiatives Support Corporation	1997	Nationwide	✓	✓	✓	✓	\$65.0	\$10.0
Low Income Investment Fund	1999	CA & NY	✓		✓	✓		\$3.0
Partners Advancing Values in Education	2001	Milwaukee, WI	✓	✓	✓			
Raza Development Fund	1998	Nationwide; Areas with Low-Income, Latino Populations	✓	✓	✓	✓		\$13.0
Self-Help (Center for Community Self-Help)	1997	FL, GA, NC, SC, TN, TX, & Other States on Occasion	✓		✓	✓	\$75.0	\$8.0
The Reinvestment Fund (TRF) * Joint award with NCBDC	1997	Mid-Atlantic States			✓	✓	\$38.5	\$6.4*

**Other Private Initiatives**

America's Charter School Finance Corporation	2000	IL, IN, MA, Washington, D.C., & Four Other States TBD	✓			✓		\$5.0
Building Hope: A Charter School Facilities Fund	2004	Washington, D.C.	✓	✓	✓	✓		
Charter Schools Development Corporation	1997	AZ, FL, IN, MI, MN, MO, NM, NC, & Washington, D.C.	✓			✓		\$15.0
Excellent Education Development	2002	Los Angeles	✓		✓		\$36.0	
Innovative Schools Development Corporation	2002	DE	✓			✓		
NCB Development Corporation * \$6.4M jointly awarded with TRF	1997	Mid-Atlantic States & FL, GA, MN, & WI	✓		✓	✓	\$75.0	\$18.0*
NewSchools Venture Fund	1998	Nationwide	✓	✓				

**Summary of Charter School Facility Funding & Financing Providers:  
Private Nonprofit Organizations & Public-Private Partnerships**  
(as of February 2005)

<b>Provider</b>	<b>Year Initiative Began</b>	<b>Market</b>	<b>Technical Assistance</b>	<b>Grants</b>	<b>Loans</b>	<b>Credit Enhancements</b>	<b>NMTC Allocation (\$ in Millions)</b>	<b>U.S. DOE Credit Enhancement (\$ in Millions)</b>
<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	Cities or Counties in 42 States & Washington, D.C.		✓				
The Prudential Foundation	1997	Atlanta, Boston, Chicago, Houston, Jacksonville, Los Angeles, Minneapolis, Newark, Philadelphia, Phoenix, & Washington, D.C.			✓			
The Walton Family Foundation	1999	AR, CA, CO, NM, & Atlanta, Buffalo, Detroit, Ft. Lauderdale, Milwaukee, Minneapolis, Ohio Cities (including Cleveland), Phoenix, St. Paul, & Washington, D.C.		✓	✓			
<b>Non-Profit Real Estate Developers</b>								
Civic Builders	2002	New York City	✓					
Pacific Charter School Development	2004	CA	✓					
<b>Public-Private Partnerships</b>								
Indianapolis Charter Schools Facilities Fund	2005	Indianapolis, IN	✓	✓	✓			
Massachusetts Charter School Loan Guaranty Fund (MassDevelopment)	2005	MA	✓	✓	✓	✓		\$10.0

## Summary of State Charter School Facility Funding & Financing Programs 41 Jurisdictions with Charter School Legislation\*

(as of February 2005)

State	Per Pupil Funding	Other Grant Funding	Loan Program	Credit Enhancement Program**	Lease of District Facilities Permitted
Alaska					✓
Arizona	✓	✓***			✓
Arkansas					
California	✓	✓	✓		✓
Colorado	✓			✓	✓
Connecticut		✓***			✓
Delaware					✓
Florida	✓				✓
Georgia		✓***			✓
Hawaii					
Idaho					
Illinois					✓
Indiana				✓	✓
Iowa					
Kansas					
Louisiana					✓
Maryland					
Massachusetts	✓			✓	✓
Michigan					
Minnesota	✓				✓
Mississippi					
Missouri					✓
Nevada					
New Hampshire					✓
New Jersey					
New Mexico					
New York		✓			✓
North Carolina					✓
Ohio			✓***	✓	✓
Oklahoma		✓			✓
Oregon					
Pennsylvania					
Rhode Island		✓***			✓
South Carolina					✓
Tennessee					
Texas					✓
Utah	✓		✓		✓
Virginia					✓
Washington, D.C.	✓	✓	✓	✓	✓
Wisconsin					
Wyoming					✓
<b>Total Implemented</b>	<b>8</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>NA</b>
<b>Total Authorized</b>	<b>8</b>	<b>8</b>	<b>4</b>	<b>5</b>	<b>26</b>

\* The following 10 jurisdictions do not currently have charter school legislation: Alabama, Kentucky, Maine, Montana, Nebraska, North Dakota, South Dakota, Vermont, Washington, and West Virginia.

\*\* Credit enhancement includes moral obligation provisions in Colorado and Indiana and other loan guaranty programs in Massachusetts, Ohio, and Washington, D.C. The Massachusetts program is administered and funded in part by the Massachusetts Development Finance Agency, a quasi-public state authority.

\*\*\* These programs are not currently funded or have not been implemented.