

CREDIT ENHANCEMENT FOR CHARTER SCHOOL FACILITIES PROGRAM (CEP)



Achievement First Providence Mayoral Academies; Providence, RI

Access to high-quality public education sets the foundation for a healthy neighborhood and ensures that people, and not just places, prosper. Unfortunately, many communities lack high-quality K-12 schools. Public charter schools function to fill this gap, providing high-quality educational options to students and their families, boosting educational achievement, and positively impacting students' equitable access to opportunity. Today there are approximately 7,700 charter schools across the country serving 3.4 million students. Over 1,000,000 students are on their waiting lists nationwide because these schools are achieving positive results despite facing significant hurdles related to securing and financing adequate facilities. As local communities forge agendas to provide equitable access to educational opportunity, it is important that public policies increase the availability of quality educational options and ensure that public resources are stewarded via frameworks that promote racial equity.

What is the CEP Program?

- The Credit Enhancement for Charter Schools Facilities Program (CEP) was established by the U.S. Department of Education (ED) to help charter schools overcome financial challenges that can limit their ability to access appropriate accommodations.
- Charter schools face an immense financing need as they educate 7.2% of students across the country but receive only 1% of federal funding.
- Most jurisdictions with charter laws do not provide a public funding stream for charter school facilities, meaning that charter schools must take significant portions of their operating budgets – usually around 20% – to put toward facilities costs.
- CEP provides grants to eligible entities (states, local governmental entities, private nonprofits and state/local/private nonprofit consortiums) to help public charter schools improve their credit in order to obtain private sector capital to buy, construct, renovate, or lease academic facilities.
- This program is unique because rather than using grant funds to directly pay for a charter school's construction or repair, funds must be used to **support private sector lending** through loan guarantees and other credit-enhancing means.

What are the outcomes?

- **566 charter schools** have been served through **71 grants**.
- \$438 million of CEP grants have been used by program recipients supporting or enabling more than **\$3 billion in total financing**.
- CEP dollars invested by the federal government have a return on investment of **\$15 for each dollar of CEP funds**. Grantees and assisted schools indicate that access to these private funding sources would not have been possible without the CEP Program.

What has been LISC's involvement?

LISC Charter School Financing (CSF) provides on-the-ground assistance to charter schools and their surrounding communities by financing individual school facilities through its network of local offices. Since 1997, LISC has provided **\$445 million in grants, loans, guarantees and tax credit allocations** for **250 charter schools** in **30 states** across the country.

- LISC has received five grants totaling \$53.4 million through ED CEP, which it is using to leverage financing for charter school facilities. LISC has already leveraged more than \$1.5 billion in private sector investments through this program.
- CSF has also closed \$4 million in predevelopment recoverable grants and companion grants for charter schools.

Some representative examples of schools funded include:

- **Harlem Village Academy, Harlem, NY:**
In December 2020, LISC provided a \$10.4 million loan to Harlem Village Academy West (HVA). The loan refinances existing NMTC financing, which closed in 2013, and funded the gut renovation of HVA's elementary school. HVA educates students from pre-K to second grade. Students at HVA academically outperform peers at the district and state levels, and the class of 2019 had a 100% four-year graduation and college acceptance rate. HVA is serving 975 students during the 2021 school year.

- **KIPP Adelante Preparatory Academy, San Diego, CA:** In April 2019, LISC closed on a \$9 million construction loan for the ground up construction of a 28,000 square foot facility located in the Diamond neighborhoods of San Diego. The building will be the permanent home of KIPP Adelante Preparatory Academy middle school to serve 480 students. KIPP serves students in the Barrio Logan, Southcrest and Shelltown neighborhoods, of whom the vast majority come from low income families, are Latino and English Learners, and do not have access to high-quality educational options. LISC's credit enhancement helped leverage more than \$12 million for this project.

Commitment to Racial Equity

- As part of our commitment to advancing racial equity, LISC joined eight community development financial institutions (CDFIs) in forming the [CDFI Racial Equity Collaborative on Education \(REC\)](#). REC worked with the educational equity nonprofit [Village of Wisdom](#) to create a racial equity matrix that can be used by CDFIs to measure a school's commitment to supporting equitable learning environments. The tool and an intentional focus on inclusive intake and assessment processes in vetting applications for financial assistance are important factors in promoting racial equity in public charter school facility financing.

What can Congress do?

- **Robustly fund the CEP.** LISC supports an allocation of 12.5 percent of the total Charter School Programs (CSP) appropriation for facilities financing, and not less than 65 percent of CSP facilities funds for the highly successful CEP. We urge ED to fund CEP at not less level funding than the previous fiscal year, not less than \$65 million.
- **Enhance flexibility for CEP awardees.** CEP awardees should be provided with the authority to re-deploy CEP loan guarantee dollars as direct loans to charter schools, once the original guaranteed loans have been fully repaid.

- **Incorporate racial equity incentives into CEP application considerations.** Program guidance for the CEP does not include any scoring criteria related to racial equity. LISC encourages ED to adopt a scoring criterion for CEP applications that awards bonus points to those applicants that identify racial equity focus areas and make institutional commitments to achieving measurable outcomes across these focus areas.

LISC is a national nonprofit housing and community development intermediary with offices in 38 different cities and a national rural network of 146 organizations.

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