

Research shows a significant relationship between the condition of school facilities and student performance.<sup>1</sup> Public schools of all kinds find it difficult to provide adequate learning facilities with their limited budgets. Charter schools in particular, however, struggle to provide school facilities that match the quality of traditional public schools.

As charter schools take their place as an established component of public education systems state legislatures will face questions about the kind of facilities to which charter schools have access. Included in this discussion are policy options for states to consider to ensure adequate funding for charter school facilities, and the inequities that exist between traditional and charter school facilities due to charter schools' inability to secure such funding.

## Differences Between Charters and Traditional School Facilities

Challenges in securing facilities funding has led to lower quality charter school buildings.<sup>2</sup> Traditional public schools benefit from local tax and bond revenues that pay for building construction and maintenance. As a result, these schools occupy facilities specifically designed for educating students. Generally, traditional school facilities also are more accessible for those with disabilities, have room for computer labs and libraries, and commonly have physical education facilities. Charter schools, on the other hand, may not be able to secure dedicated facility funding so often occupy facilities that lack many standard amenities such as gymnasiums, libraries, or kitchens that can serve free or reduced-price school lunches.<sup>3</sup> Many charter school facilities also fail to provide adequate accessibility for students with disabilities in areas such as restrooms, ramps, drinking fountains and lockers.<sup>4</sup>

Charter school advocates argue that improved access to facility funding would allow charter schools to build facilities that are equal in quality to those occupied by traditional public schools. Access to funding also may help charter schools build larger facilities that can hold more students. One study found the average U.S. charter school in 2009 enrolled 372 students and had a waiting list of 239 students.<sup>5</sup>

### Charter Schools in the States

Charter schools are publicly funded, privately managed and semi-autonomous schools of choice. They do not charge tuition. They must hold to the same academic accountability measures as traditional schools. They receive public funding similarly to traditional schools. However, they have more freedom over their budgets, staffing, curricula and other operations. In exchange for this freedom, they must deliver academic results and there must be enough community demand for them to remain open.

The number of charter schools has continued to grow since the first charter law was passed in Minnesota in 1991. Some have delivered great academic results, but others have closed because they did not deliver on promised results.

Because state laws enable and govern charter schools, state legislatures are important to ensuring their quality.

This series provides information about charter schools and state policy topics, including finance, authorization, limits to expansion, teaching, facilities and student achievement.



How States Fund Charter School Facilities <sup>6,7</sup>				
State/Jurisdiction	State Dedicated Facilities Funding	State Grant Programs	Tax-Exempt Bond Programs	State Credit Enhancement
Alaska			x	
Arizona	x		x	
Arkansas				
California	x	x	x	
Colorado	x	x	x	x
Connecticut		x	x	
Delaware			x	
Florida	x		x	
Georgia		x	x	
Hawaii		x		
Idaho			x	
Illinois			x	
Indiana		x	x	x
Iowa				
Kansas				
Louisiana			x	
Maine				
Maryland			x	
Massachusetts	x		x	x
Michigan			x	x
Minnesota	x		x	
Mississippi				
Missouri			x	
Nevada				
New Hampshire			x	
New Jersey			x	
New Mexico	x	x	x	
New York		x	x	
North Carolina			x	
Ohio				
Oklahoma		x	x	
Oregon			x	
Pennsylvania	x		x	
Rhode Island		x	x	
South Carolina			x	
Tennessee	x		x	
Texas		x	x	x
Utah	x	x	x	
Virginia			x	
Wisconsin			x	
Wyoming				
District of Columbia	x	x	x	x

## How Charter Schools Pay for Their Facilities

Charter schools typically have limited access to local school district tax and bond revenues used for school facilities. Instead, they must rely on alternative sources of public and private funds to pay for their facilities. State legislatures play an important role in determining the options available to pay for charter schools' facilities. State policy options include providing direct funding for facilities, making state bonds and grants available, aligning with federal programs, allowing private loans, sharing local school district bond revenue, encouraging traditional public schools to share facilities with charter schools, and/or using a portion of a charter school's overall per-pupil allocation for facilities needs.

### Direct State Assistance for Charter School Facilities

Some states offer direct cash assistance to charter schools for facilities in two ways—appropriating per-pupil funds specifically intended for school facilities, and providing grant programs where schools compete with each other for funds.

Charter schools in 11 states and the District of Columbia currently have access to state tax dollars specifically intended for school facilities.<sup>8</sup> The amount of funding given to charter schools varies, however, in some states such as Massachusetts and Arizona, state aid for facilities is allocated on a per-pupil basis. Other states such as New Mexico and Minnesota help charter schools make their building lease payments. Some concerns have been raised about offering dedicated funding to all charter school facilities equally because established facilities often have less need for facility improvements.<sup>9</sup> Others argue that any additional revenue not spent on facility costs can be used for other non-instructional costs such as debt payments.

Twelve states and the District of Columbia award grants to qualifying charter schools for facilities. These grant programs usually are competitive because a limited amount of funds are available. Awards can be based on the size, demographics, or facility needs of a school.<sup>10</sup>

Georgia's Charter School Facilities Grant Program is an example of how a state can use limited state funds to support charter school facility needs. This competitive grant program offers funding to established charter schools for the purchase, lease, renovation, and/or construction of school facilities. The Georgia Department of Education approves grant applications based on a school's facility needs, financial management and accountability processes, long-term plan for completing facility projects, and the purchase/lease agreement of the facility. Grants under the program are capped at \$100,000 per project.<sup>11</sup>

### Tax-Exempt Bonds

As of 2011, 32 states and the District of Columbia have implemented programs where charter schools can apply for tax-exempt bonds to pay for facility costs, although the amount and frequency of issued bonds varies widely. This funding source places a charter school in debt. Unlike traditional school districts, however, charter schools cannot levy taxes as collateral for incurred debt. As a result, many charter schools that seek tax-exempt bonds and other forms of debt face high interest rates.

A few state programs back bonds with state funds to enhance the credit-worthiness of charter schools. If a charter school fails to make a payment on its bond debt, the state can make the payment for the charter school or withhold a portion of the school's per-pupil funding to cover the missed payment. These policies reduce the interest rate charter schools incur on their bonds.<sup>12</sup>

Bonds typically are approved by an agency or conduit associated with the state that is responsible for approving or denying a bond application. In Colorado, for example, the Colorado Educational and Cultural Facilities Authority (CECFA), an appointed board, approves tax-exempt state municipal bonds to educational and cultural facilities. Traditionally, most of the bonds went to higher education institutions, but in 1998 charter schools were added to the list of allowable bond recipients.<sup>13</sup>

## Federal Programs

Numerous federal programs exist that provide assistance to public schools and districts for facility improvements. Two, specifically, target charter school facilities.

The State Charter School Facilities Incentive Grant Program offers qualifying states a grant distributed over five years, with the federal share of facilities funds decreasing each year. To qualify, a state must have an existing policy granting per-pupil facilities aid for charter schools. Four states—California, Indiana, Minnesota, and Utah—and the District of Columbia have received grants from the program.<sup>14</sup>

The federal Credit Enhancement for Charter School Facilities Program is designed to improve a charter school's credit standing, making it easier to obtain private loans and bonds for facilities. It accomplishes this through grants that reduce the financial risk to public and nonprofit creditors of charter school facilities.<sup>15</sup>

## Local District Bond Revenue

School districts can use their ability to collect taxes as a way to secure low-interest debt through issuing voter-approved bonds. These bonds are then repaid by increasing taxes. School bonds typically are used to build or maintain school facilities. Colorado, Florida and New Mexico provide certain charter schools with access to bond revenue. Accessing district bond revenue allows a charter school to rely on the school district to repay the debt rather than repaying the debt with its existing funding.

Some school districts have resisted allowing charter schools to tap into district facility funds because they argue a high number of charter school students live outside the district, so do not pay the local school taxes that will repay the bond.<sup>16</sup> Many charter schools are authorized by entities other than a school district such as a state or university. Because districts

have no authority over these schools, they might oppose sharing local tax and bond revenues with them. Charter school advocates contend that districts simply do not want to share their funding.

## Sharing School District Facilities

An emerging trend in charter school policy is to improve charter school access to school district buildings that are either abandoned or have unused space. Using existing district buildings often provides a charter school with a facility designed for educational purposes at a much lower cost than privately leasing or purchasing a facility.

One policy some states have adopted is called “right of first refusal.” Under this policy, charter schools have a right to request to use vacant or underused public buildings before the buildings can be used for any other purpose. Unless school districts have a valid reason for rejecting a charter school's request to use a district building, the charter school is allowed to occupy it. Other state policy options include limiting the amount of rent a school district can charge a charter school for a district building and requiring districts to offer long-term leases to charter schools.<sup>17</sup>

## Using Operating Funds for Facilities

When charter schools fail to acquire adequate facility funding, they are forced to redirect some of their general per-pupil allocation to pay for facility maintenance and construction. This results in less funding for instruction and support services for students compared to traditional public schools that have more access to local facility funds. The amount of operating revenue spent on facilities decreases when charter schools are located in district-owned buildings, but is highest when a charter school has purchased its own facility.<sup>18</sup> In Texas, the average charter school spends an estimated \$849 per student from operating funds on facility needs; this amount is enough to hire four additional teachers.<sup>19</sup>

## Policy Questions to Consider

- What kind of debt are charter schools leveraging for facilities? Are they relying on high-interest borrowing to keep their doors open? Have any charter schools in your state defaulted on a facility loan?
- What options does the state offer to reduce the financial risk of purchasing/leasing a charter school facility?
- Are charter schools using operating funds to pay for their facilities?
- Do state laws meet federal facility grant program requirements?
- What state supports exist for charter school facilities? Are they meeting the facility needs of charter schools?
- Do charter school facilities provide adequate accessibility for students with disabilities?
- Can traditional public schools share their gymnasiums, fields and other facility amenities with nearby charter schools?
- Are school districts at or near full student capacity? If not, can district charter schools utilize unused space?

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