Promising Policies Series

Charter School Facilities Funding & Access

Public charter schools' lack of facilities funding largely drives the funding gap between charters and district-run schools. Closing this gap is a top priority for charter school leaders, supporters, and advocates around the country. The National Alliance has scoured the policy landscape for the most promising and helpful facilities access and funding policies that could be replicated in additional states. Below are 12 that are worth a look.

For states with significant political support and limited budget constraints, we suggest that you ask your lawmakers for a generous amount of per-pupil facilities funding (such as in D.C., where charter schools receive about $3,500 per-pupil for facilities costs), state credit enhancement supported by a hefty amount of public funding (like the roughly $75 million provided in Arizona), and the required sharing of local tax dollars for facilities with charter schools (such as in Florida).

For states that don't have these ideal circumstances, there is still much that can be done to better support charter school facilities. The options below provide some particularly promising pathways for states to pursue.

1. D.C.'s Direct Loan Fund

In D.C., the Office of the State Superintendent of Education (OSSE) operates the Direct Loan Fund to support charter school facility needs. The Fund, which is a revolving loan fund, was created in 2003 with an initial $5 million investment (an additional $29 million has been added over the years). The Fund was authorized by the District of Columbia Appropriations Act of 2003. D.C. then enacted an implementing statute for it. The program has been popular since its beginning, offering up to $2 million dollar loans for up to five years at low interest rates (currently 1%). As of late 2023, 42% of D.C.'s charter schools have accessed Direct Loan funds totaling $96 million. Because OSSE also operates a credit enhancement program, they can combine a direct loan with a credit enhancement allocation when a combination of the two makes the most sense for the school.

LEARN MORE: § 38–1833.02. Direct Loan Fund for Charter School Improvement. | D.C. Law Library

2. Massachusetts's Loan Guarantee Fund

The Massachusetts Loan Guarantee Fund is managed by Mass Development, a quasi-state agency tasked with supporting state infrastructure. Since 2004, they have managed the Loan Guarantee Fund, which is solely focused on providing partial guarantees for charter school loan and bond transactions issued through Mass Development. The Fund has been exclusively supported by over $41 million in grants from the federal Credit Enhancement for Charter School Facilities Program. Coincidentally, Massachusetts leads the nation in the number of tax-exempt bond transactions per charter school.

LEARN MORE: Loans & Guarantees - MassDevelopment

3. Idaho's Moral Obligation Provision

Charter school borrowers in several states have benefitted from a cost-effective and impactful credit enhancement arrangement called moral obligation, effectively allowing eligible charter schools to finance facilities with the benefit of the state's credit rating. Idaho is one of three states with active moral obligation policies. Idaho law provides a mechanism for limited credit enhancement for eligible, highly rated bond transactions for charter schools by using the state's moral obligation to back up to $190 million in debt.

LEARN MORE: Section 33-5218 – Idaho State Legislature

4. Utah's Charter School Finance Authority

As an informational source for schools pursuing tax-exempt bonds, the Utah Charter School Finance Authority makes available detailed information about the "costs of issuance" from previous transactions. Schools exploring their tax-exempt financing options can review the Treasurer's data to better understand the costs and fees involved and presumably make more informed decisions.

LEARN MORE: Compare Previous Deals - Utah Charter School Finance Authority

5. Colorado's Building Excellent Schools for Tomorrow (BEST) Program

Enacted in 2008, Colorado's Building Excellent Schools for Tomorrow (BEST) program provides state grants to build or renovate public school facilities, with a primary focus on schools in rural and lower income areas. At first, BEST legislation did not address charter schools, even though Colorado already had a sizeable charter school community, including schools in those communities that BEST advocates were targeting. This fact ultimately made it too difficult to keep charter schools out of the program. Eligibility criteria for charter schools analogous to school district criteria were developed that opened the door to charter school access to the program. Charter schools have received over $160 million via the BEST program.

LEARN MORE: BEST Grant Program | CDE

6. Oklahoma's Redbud Program

In 2021, Oklahoma enacted legislation that provides annual funding for improving and acquiring school buildings via the Redbud program. According to the legislation, "school districts and eligible charter schools that are below the state average in local property taxes for the building fund and the county-wide millage per student are eligible to receive these funds." The Redbud program has since provided over $18 million to eligible charter schools, representing approximately 9% of total funds awarded.

LEARN MORE: SB 229 - Red Banner Book 2021

7. New York's Mandate to New York City: Give Charter Schools Space or Give Them Money

New York law requires New York City to either house charter schools opening after 2013 in district facilities or reimburse them for rent paid to commercial landlords.

LEARN MORE: Education Law Section 2853 - See #3

8. Florida's Requirement for Districts to Share Local Facilities Dollars with Charter Schools

Florida provides charter schools with per-pupil facilities funding ($562 per-pupil in 2023), requiring an annual appropriation of over $200 million. At the same time, Florida school districts are estimated to collect $4.4 billion in voter approved capital outlay funding each year. In 2023, Florida amended a statute that formerly allowed school districts to share capital outlay dollars with charters to now mandate proportionate sharing. State budget analysts estimate the impact once fully implemented to be in the hundreds of millions annually.

LEARN MORE: HB 1259 Staff Analysis

9. Encouraging Districts to Share Local Facilities Dollars with Charter Schools in Colorado

While Florida's mandatory sharing may be ideal, other states have seen success where state law authorizes districts to share facility revenues with charter schools. Colorado's statute encouraging districts to share local facilities dollars with charter schools remains voluntary (albeit with clear expectations and detailed steps for the parties involved). Since 2002, it has resulted in hundreds of millions of facilities dollars shared with charter schools.

LEARN MORE: Colo. Rev. Stat. § 22-30.5-404

10. Compiling Lists of Underutilized District Facilities in Arkansas

An important prerequisite to accessing underutilized district space is knowing what space is available. Several states require districts to share information with charter schools if asked or maintain a list of the available district space. These mechanisms often leave too much discretion in the hands of districts to provide the timely, actionable information charter schools need. Multiple states task state education departments with compiling and maintaining those lists, including Arkansas. Arkansas places list-oversight responsibility in the hands of their Division of Public School Academic Facilities & Transportation. Notably, rules implementing the Division's directive include language about correcting district-supplied information if deemed inaccurate.

LEARN MORE: Arkansas Code Annotated § 6-21-815

11. Enforcing Charter School Access to District Facilities in Arkansas, Indiana, and New Hampshire

Dozens of states feature statutory language allowing or even encouraging school districts to share available space with charter schools. Along with their aspirational language, states often include "explanatory" provisions such as lists, definitions, criteria, and processes facilitating charter school access to district facilities. Those provisions are helpful, though the weight of experience suggests districts that don't want to make space available to charter schools have plenty of opportunities to play games with statutes that don't include enforcement. Several states have recently created enforcement mechanisms that don't require charter schools to go through lengthy and expensive court proceedings to access available space.

LEARN MORE:

- Arkansas: In the event that a charter school and a district cannot come to terms on the use of available space, the charter school may petition the Arkansas Commission for Public School Academic Facilities & Transportation for an order directing the district to enter a lease agreement.
- Indiana: In the event a charter school's attempt to lease or purchase available space is unsuccessful, they may request the attorney general enforce relevant statutory language.
- New Hampshire: In the event lease or purchase negotiations do not result in an agreement, the commissioner of the state department of education shall engage an independent mediator to facilitate an agreement.

12. California's School Finance Authority

The California School Finance Authority (CSFA) is California's multi-purpose public finance agency serving a variety of important state finance-related functions. Included among them are several charter school programs, including the distribution of state facilities aid, credit enhancement, a revolving loan fund, and tax-exempt bond financing. While CSFA currently plays several different roles supporting California's charter schools, their role was much smaller at the beginning. Their role has expanded over time, showing how multiple programs under one roof can be mutually reinforcing and how strong, entrepreneurial leadership can improve charter school opportunities over time.

LEARN MORE: California School Finance Authority