

A Synthesis of Research on Charter School Facilities

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Introduction

Both charter school and traditional public school stakeholders are deeply familiar with facilities-related challenges, like outdated buildings and poor ventilation, that can impact a school's capacity to serve all students. A school facility's quality and accessibility have important impacts on schools' functionality to serve as places of high-quality education. While these challenges are familiar to most schools in the United States, charter schools are responsible for acquiring and paying for their educational facilities, a responsibility that local school districts usually complete for traditional public schools.

This report is designed to inform the public of the current state of charter school facilities, focusing on areas directly related to school operations: (1) access to facilities, including facility acquisition and ownership, and (2) facility funding and financing.

This report begins with a description of the role charter schools play within the U.S. public school system and a broader discussion of public school facilities in the United States. Next, the report describes charter schools' access to suitable facilities, including the processes related to charter facilities acquisition. In addition, we discuss the mechanisms used to fund and finance charter school facilities. Then, we conclude the report with a discussion of four key findings relevant to the current state of charter school facilities and identify gaps in the existing literature where further research is needed.

KEY FINDINGS

1. The average U.S. public school building is aged and in need of maintenance, and low-income and students of color are disproportionately likely to attend schools in underfunded and poor-quality facilities.
2. Access to facilities may be influencing the charter school pipeline and amount of public funds spent on charter facilities.
3. Though states have created various funding and financing programs to offset the cost of charter school facilities, many are not currently funded.
4. Programs providing credit enhancement to charter schools offer low-cost and highly effective means of expanding affordable financing options for charter schools.

Charter Schools in the U.S. Public School System: An Overview

A charter school is a public school that operates independently as a school of choice within the broader ecosystem of public school options. The operators of charter schools commit to achieving specific educational objectives in return for a charter to operate a school.¹ Charter schools operate with a level of autonomy from the traditional public system, and are exempt from significant state or local regulations related to operation and management. However, charter schools are held to many of the same standards for safety and facilities access as traditional public schools, such as state and local building codes and regulations and compliance with the Americans with Disabilities Act.

Charter schools often operate outside of many traditional public school district structures and functions. In the case of school facilities, a charter school operator – which could be a small organization running a single school or a larger charter management organization (CMO) overseeing hundreds of schools across multiple states – is usually responsible for securing and maintaining their own physical space. As part of the public school system, charter schools receive public funding based on student enrollment, which, in most cases, comes in the form of per pupil funding amounts that combine local and state funds.^{2,3} This funding is used to acquire and maintain charter school facilities in addition to paying for operating expenses. Charter schools experience challenges related to accessing facilities, managing facilities, and obtaining funding and financing that are complicated by their unique placement in the public funding system, which will be discussed in the remainder of this paper.

In the following section, we provide a discussion of the public school facilities sector in the United States to establish the importance of quality school facilities and the greater context in which charter schools reside.

¹ Read more about charter schools here: [What is a Charter School?](#)

² Government spending per student enrolled.

³ Shen & Berger, 2011

Public School Facilities in the U.S. Context

A school building not only provides a physical space for students to learn and for school staff to work, but also serves as a central point connecting individuals and families in the neighboring communities. School facilities are used as polling places, libraries, community meeting spaces, auditoriums, and emergency shelters.⁵ The quality of school facilities is important to teachers and students who typically spend six or more hours a day, five days per week, in school facilities. By the time students graduate, they have spent as many as 14,000 hours in school facilities.⁶

This review of research is framed by three foundational beliefs on the importance of school facilities, which are explored in this section:

1. The quality of school facilities affects students' achievement and health.
2. Access to quality school facilities is an essential component of providing equitable, high-quality education to all students.
3. An enhanced collective understanding of facilities financing would be advantageous for supporters of high-quality, equitable, and accessible schools.

DEFINING SCHOOL FACILITIES

In this review, we use the term **school facilities** to refer to all structures associated with a school's operations, including main instructional buildings and temporary spaces that house classrooms, administrative offices, cafeterias, gymnasiums, and any other specialized spaces used for academic and non-academic purposes.⁴

The Impact of Quality School Facilities

In this report, we focus on the direct relationships between school facility quality and students' achievement and health, two factors influencing Americans' appreciation of school facilities. Based on only these two measures, we conclude that the quality of school facilities is of relevance to any stakeholder in the public education system concerned with student outcomes or health.

A growing body of research investigates the impact of facilities quality on student achievement. Recent studies measuring the impact of facilities investment on average student achievement at the district level have found inconclusive results, many lacking precise measures of impact.⁷ Yet, a handful of studies suggest that facilities conditions impact student achievement:

- A study of investment in school facilities in Los Angeles Unified School District found that attending newly constructed schools for four years increased math and English-language arts scores, and teacher-reported student motivation. Researchers concluded that these impacts were driven by improvements in school facility quality. The study also found that decreases in overcrowding had

⁴ NFES, 2018

⁵ NFES, 2018

⁶ CHPAC, 2011b

⁷ Cellini et al., 2010; Conlin & Thompson, 2017; Goncalves, 2015; Hong & Zimmer, 2016; and Martorell, Stange, & McFarlin, 2016

positive impacts on test scores and student attendance for students in buildings where facilities conditions did not change, but student enrollment decreased.⁸

- Another study found a positive impact of increased facilities expenditure on the academic achievement of 7th graders by analyzing the relationship between district bonds for school infrastructure and student achievement across Michigan.⁹
- A study of rural schools in Georgia found positive associations between school design features, including air ventilation and lighting, to third-grade students' performance on a standardized basic skills test.¹⁰

Some studies also suggest that poor school conditions negatively impact student attendance, teacher recruitment, and teacher retention.¹¹ Further research in additional contexts is needed to provide consensus on the precise impact facilities conditions have on academic achievement.

Research shows that poor-quality facilities exacerbate student health issues. Children attend elementary and secondary schools during a significant period of development of major biological systems. Environmental factors, such as the presence of hazardous materials like lead and asbestos or poor indoor air quality impact the development of these systems in children.¹² Building age and facilities maintenance practices influence the presence of toxic materials and indoor air quality in schools, with aged and poorly maintained buildings at a higher risk.¹³ Lack of efficient heating, ventilation, and air conditioning systems, poor or delayed maintenance, and water damage lead to poor indoor air quality in schools, resulting in symptoms like asthma attacks, sore throats, drowsiness, headaches, and inability to concentrate in students.¹⁴ The presence of materials like lead and asbestos impact the development of the brain, lungs, and nervous system in students, resulting in lasting negative impacts on cognition, learning, and behavior.¹⁵ Poor indoor air quality in school facilities is not only detrimental to student health but also impacts student attendance and thus academics. Asthma is the leading cause of student absenteeism in the United States, resulting in students missing a collective 14 million days of school annually.¹⁶ If left unaddressed, aged buildings, lack of school maintenance, and inefficient facility systems increase students' risk of short- and long-term health challenges, creating barriers to education and advancement.¹⁷

Equitable Access to Quality School Facilities

Access to quality school facilities is an important component of providing an equitable education to all students. The landmark *Brown v. Board of Education* (1954) ruling designated equal access to school facilities as fundamental to equal educational rights, stating that “separate educational facilities are

⁸ Lafortune & Schönholzer, 2019

⁹ Hong & Zimmer, 2016

¹⁰ Tanner, 2006

¹¹ Branham, 2004; Buckley, Schneider, & Yang, 2004; and Durán-Narucki, 2008

¹² EPA, 2014

¹³ CHPAC, 2011a; EPA, 2014

¹⁴ CHPAC, 2011a; EPA, 2014

¹⁵ ATSDR, 2016; CDC, 2019

¹⁶ Zahran et al., 2018

¹⁷ CDC, 2019; CHPAC, 2011b; Zahran et al., 2018

inherently unequal.” This ruling shaped the educational landscape of the United States, stating that racial segregation in schools was unconstitutional and defining a standard of equal access to education for all students that includes equitable access to quality facilities. Those supporting high-quality education for all students must inherently consider access to high-quality school facilities as a component of that goal.

State laws determine how equal access to educational facilities is implemented, often by defining a student’s right to educational facilities using the terms “adequate” and “inadequate.” There is not a uniform definition of adequate facilities nationally. States have defined adequate facilities in state constitutions or through court decisions that set legal precedent following the *Brown v. Board of Education* ruling.¹⁸ Some state laws, resulting from court cases that set precedent, address the adequacy of physical features like light, space, heat, and ventilation,¹⁹ while others define conditions more generally, claiming that facilities should be in “good repair”²⁰ or “adequate and safe.”²¹ Two examples include:

- The New Jersey Supreme Court established “adequate” facilities as essential to access to education as defined by state law. The court further defined “adequate facilities” as “facilities that are safe and healthy, not overcrowded, and sufficient to deliver a rigorous curriculum based on New Jersey’s extensive content and performance standards.”²²
- In West Virginia, the Kanawah County Circuit Court described adequate facilities as “structurally safe, contain fire safety measures, sufficient exits, an adequate and safe water supply, an adequate sewage disposal system, sufficient and sanitary toilet facilities and plumbing fixtures, adequate storage, adequate light, be in good repair and attractively painted as well as contain acoustics for noise control.”²³

Despite the progress since *Brown*, there is evidence that historically disadvantaged students are more likely to attend school facilities of poor quality, potentially affecting their health.²⁴

Low-income students, students in urban areas, and students of color are most likely to attend schools with health risks. Hispanic, Black, and Asian students face disproportionate risks of attending schools with higher proportions of toxicants²⁵ compared to White students, according to a study of approximately 85,000 U.S. public schools.²⁶ Students attending schools in urban areas and students eligible for free and reduced-price lunch (FRPL) also face significantly higher risk of toxicants compared to students outside of urban areas and those not qualifying for FRPL.²⁷ Additionally, schools that serve low-income students and students of color are disproportionately likely to report poor indoor air quality.²⁸ This disproportionate prevalence of toxic materials and poor indoor air quality in school facilities serving educationally

¹⁸ Smith, 2014

¹⁹ Campaign for Fiscal Equity, Inc. v. State, 86 N.Y.2d 307, 345 (N.Y. 1995)

²⁰ DeRolph v. State, 78 Ohio St.3d 193 (Ohio,1997)

²¹ Abbeville County School Dist. v. State, 335 S.C. 58, 68 (S.C., 1999)

²² Abbott v. Burke, 119 N.J. 287 (June 1990)

²³ Pauley v. Kelly, No. 75-C1268 (Kanawha County Cir. Ct., W. Va., May 1982).

²⁴ Alexander & Lewis, 2014; GAO, 2020; and Smith, 2014

²⁵ Toxicants are natural or manmade substances capable of causing adverse effects in the central and peripheral nervous system, and in sense organs.

²⁶ Grineski & Collins, 2018

²⁷ Grineski & Collins, 2018

²⁸ CHPAC, 2011a; CHPAC, 2011b

disadvantaged students creates unequal environments for students to learn, increasing their susceptibility to negative short- and long-term health issues and student absenteeism.²⁹ This is an especially pertinent point for those in the charter school sector, which frequently serve students and families who are Black or Hispanic, low-income, or located in urban areas.³⁰

The Current Condition of America's Public Schools

The average school building in the United States is approximately 44 years old, which increases the need for maintenance and renovation for schools to remain in good condition.³¹ School buildings begin needing frequent equipment replacement at 20 years old, according to seminal work on school facilities conditions by Allen Ornstein.³² After 30-40 years of operation, Ornstein documented that all of a facilities' original equipment should be replaced, with facilities beginning to deteriorate rapidly after 40 years.³³ In 2014, the average school building's age placed it within the "rapid deterioration" phase.³⁴

Not only are school facilities aged, but school maintenance has not kept pace with maintenance needs. An estimated 54% of school districts need to update or replace at least two systems or features³⁵ in school buildings and 25% need to update or replace six systems in at least half of their schools, according to a recent nationally representative study.³⁶ Specifically, 40% of school districts need to update or replace heating systems, air conditioning systems, and ventilation and filtration systems in at least half of their schools and approximately 30% need to update or replace interior light fixtures, roofing, and security systems in their schools.³⁷ An earlier study indicates that around 50% of public schools report problems with indoor air quality.³⁸

Inadequate maintenance disproportionately affects students who are low-income, Black, or Hispanic.³⁹ Outdated buildings with poorly maintained systems are most prevalent in schools with portable buildings and schools with greater percentages of students receiving FRPL.⁴⁰ Additionally, schools serving Black and Hispanic students continue to lag in the maintenance and renovation needs necessary to provide quality school facilities for these students.⁴¹

Financing the maintenance and development of high-quality school facilities has been a public concern for decades. In 1995, the nation's public schools required \$112 billion for needed school facility maintenance.⁴² As of 2014, 53% of public schools reported needing to spend money on repairs, renovations, and

²⁹ CDC, 2019; CHPAC, 2011b; Zahran et al., 2018

³⁰ NCES, 2020a

³¹ Alexander & Lewis, 2014

³² Ornstein, 1994

³³ Ornstein, 1994

³⁴ Alexander & Lewis, 2014

³⁵ The systems and features studied included heating, ventilation, and air conditioning systems, roofing, interior and exterior light fixtures, plumbing, fire protection systems, electrical systems, windows, doors, and elevator systems.

³⁶ GAO, 2020

³⁷ GAO, 2020

³⁸ Alexander & Lewis, 2014

³⁹ Smith, 2014

⁴⁰ Alexander & Lewis, 2014

⁴¹ Filardo, 2016; Grineski & Collins, 2018; and Smith, 2014

⁴² GAO, 1995

modernizations to put the school's buildings in good overall condition. The total amount needed was estimated at approximately \$197 billion, averaging to \$4.5 million per school in need of repair or renovation.⁴³ School districts collectively spend approximately \$50 billion a year on school facilities, yet serious annual gaps exist, including a collective \$58 billion to maintain and operate current facilities and \$77 billion to upgrade outdated facilities.⁴⁴

The Condition of America's Charter Schools

There have been few national-level studies reporting on the conditions of charter school facilities in the United States. Most of the evidence on charter school facilities' quality and their capacity to serve students is derived from larger studies of all public schools, and data specific to charter schools is not readily available. For example, the U.S. Government Accountability Office's (GAO) nationally representative school facility survey included a subsection on charter schools; however, the sample of schools is small and the results are not generalizable to all charter schools.⁴⁵ This is an important area for future research, as charter schools frequently occupy different types of buildings than traditional public schools and their needs, and the conditions of these buildings, likely vary. Additionally, in some areas, charter schools serve high proportions of low-income, Black, and Hispanic students, which are student groups less likely to have access to quality school facilities and equitable funding.⁴⁶

The Charter School Facilities Initiative (CSFI) state surveys of charter school facilities provide the longest running and most detailed research on charter school facilities' conditions. The 21 reports analyze facilities landscapes in 19 states and one city between 2007 and 2019.⁴⁷ These studies largely focus on charter facility size, operating funds spending across different types of facility ownership, and the availability of facility amenities. Amenities in charter schools include spaces such as full preparatory kitchens meeting FRPL standards, access to a dedicated gymnasium space, and specialized classrooms like science labs, music, and art classrooms that may be core to a charter school's educational program.

These surveys demonstrate that less than half of charter schools had kitchen facilities qualified to prepare meals on-site and meet federal standards for the Free and Reduced-Price Meal Program in all but one state.⁴⁸ Approximately 40% of secondary schools across states lacked access to a gymnasium, according to a report of 12 states surveyed between 2007 and 2013.⁴⁹ The same analysis also suggests that between 10-30% of charter schools meet standards for overall facilities size and that many charter schools do not reside in facilities originally intended to be schools.^{50, 51}

While these surveys provide valuable insights, the limitations point to areas where further research is needed. Since the last analysis of survey data across states in 2013, 8 of the 45 states with charter laws

⁴³ Alexander & Lewis, 2014

⁴⁴ ASCE, 2017

⁴⁵ GAO, 2020

⁴⁶ Filardo, 2016; Grineski & Collins, 2018; NCES, 2020a; NCES, 2020b; Smith, 2014

⁴⁷ See [CSFI](#) for the collection of studies.

⁴⁸ CSFI, 2013

⁴⁹ CSFI, 2013

⁵⁰ Standards were derived from regional and national new construction data and state standards for school facilities, when available.

⁵¹ Further research is needed to quantify this exact proportion as the state surveys report a significant range and include outdated data for some states.

have been surveyed and individual state-level data analyses have been produced for these states between 2013 and 2019 (see Figure 12 in Appendix C for a summary of findings for each state). Findings across states vary greatly based on state charter laws, state funding structures, and charter access to public buildings, which makes interpreting generalizable results difficult.⁵² Additional research is needed to understand the condition of charter school facilities nationally, specifically with regard to the capacity of schools to serve students and the quality of those facilities.

School Facilities Funding

The U.S. Constitution does not include a fundamental right to education, so the responsibility to provide a public education falls to the states. For this reason, states and local government agencies, such as school districts, bear most of the cost of traditional public school facilities, including operational costs and capital costs. On average, state and local governments contribute 90% of operational costs for facilities and 100% of the capital costs for facilities. Local governments contribute more than 80% of traditional public schools' capital budgets (see Figure 1).⁵³ Property tax revenues are the primary source of local funding for school facilities, though traditional school districts also use a combination of grants, local bonds, other tax revenues, and public-private partnerships to fund facilities.⁵⁴ A total of 36 states provide some type of facilities-specific capital funding to traditional public schools for construction or renovation, though only 17 states provide funding for maintenance and operations separately from general education funding.⁵⁵

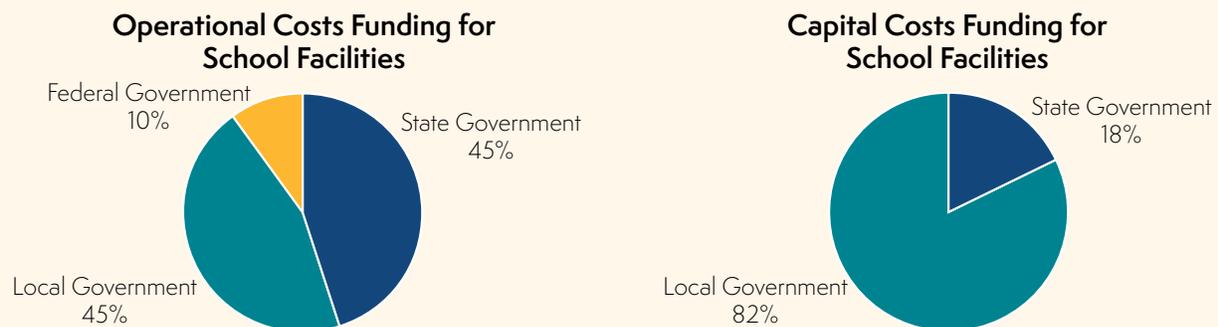
CAPITAL COSTS

Typically, capital costs are the expenses of longer-term services for the school, including construction, renovation, major replacement and repair costs, and lease and debt payments. However, this definition varies across states and districts. Some states define capital projects using a monetary threshold (GAO, 2020).

OPERATIONAL COSTS

Operational costs are generally considered the day-to-day expenses of running a school, including utilities and maintenance.

Figure 1: Average Facilities Funding Breakdown for Public Schools in the United States



Note: Figure adapted from Filardo, 2016.

⁵² For example, 25% of schools in Oklahoma lacked a full preparatory kitchen, while this was true of 96% of schools in New Hampshire (CSFI, 2018b; CSFI, 2019). Approximately 8% of New Hampshire schools lacked a dedicated gymnasium space, but this was true of 75% of Colorado schools (CSFI, 2018a; CSFI, 2018b).

⁵³ Filardo, 2016

⁵⁴ GAO, 2020

⁵⁵ GAO, 2020

The reliance on local funding creates variance in funding among America's more than 10,000 traditional school districts, generally leading to facilities funding challenges for schools located in lower-income districts. Disparities in local funding between low- and high-income districts increases the burden on districts to provide quality learning environments to all students. The ability of traditional school districts to pay for facilities renovation and construction is tied to community wealth, which directly impacts the conditions of school facilities for low-income communities.⁵⁶ While 30 states provide no additional funding for low-income districts, 20 states provide at least 5% additional funding on top of the state's baseline educational formula funds to offset inequities.⁵⁷ Six of those states provide at least 15% additional funding.⁵⁸

Many studies of state education finance systems have found that low-income school districts receive inequitable funding amounts compared to high income districts.⁵⁹ On average, low-income districts spent \$300 less per student on capital construction compared to high-income districts.⁶⁰ In addition to income-based disparities in school funding, funding correlated to racial inequities exists among districts. Predominantly White districts receive approximately \$2,000 more per student compared to districts who serve predominantly students of color.⁶¹ This disparity persists after taking into account income level; low-income districts of color receive \$1,500 less per student than low-income White districts.⁶²

In the rest of this paper, we describe options for charter schools to access facilities fit for school programming; the process for acquiring facilities, and the varied ways in which charter schools fund and finance facilities. We conclude this paper by identifying knowledge gaps and key findings related to the current charter school facilities landscape.

⁵⁶ Filardo, 2016

⁵⁷ Morgan, & Amerikaner, 2018

⁵⁸ Morgan, & Amerikaner, 2018

⁵⁹ Baker, Farrie, & Sciarra, 2018; Chingos & Blagg, 2017; Cornman, et al., 2018; Knight, 2017; Morgan & Amerikaner, 2018; and Ushomirsky & Williams, 2015

⁶⁰ GAO, 2020, analysis of 2015-2016 National Center for Education Statistics data

⁶¹ EdBuild, 2019

⁶² EdBuild, 2019

Charter Schools' Access to Facilities

Unlike traditional public schools, charter schools contend with the burden of locating and securing facilities without the support of district offices and charters often lack dedicated facilities funding streams. Charter operators, as the managers of the schools, may lease space from the traditional public district or another entity, or they may purchase a facility or build independently. This means that charter school operators are responsible for identifying, procuring, and maintaining facilities – work done by a district central office in traditional public school systems – in addition to the work of managing the academics and operations of the schools. Some charter schools contract with school districts for these services or benefit from centralized facilities management by a CMO. In this section, we discuss the advantages and disadvantages charter schools face in leasing and owning facilities. Additionally, this section outlines other means by which charter schools may access facilities, including through long-term leasing, lease-to-own agreements, constructing facilities, public facilities access, co-location, and incubators. The section will conclude with a description of charter schools' processes for acquiring facilities.

Charter schools may lease or own buildings originally designed as schools, other public buildings, commercial buildings, office buildings, religious buildings, residential buildings, houses, or industrial buildings.⁶³ Research suggests that there may be a significant proportion of charter schools that reside in facilities not originally constructed for school use. In five states, approximately 50% of charter schools resided in facilities not originally constructed for school use.⁶⁴ This proportion ranges from 33-75% of charter schools inhabiting facilities not intended for school in each state.^{65,66,67} These properties may pose challenges such as constraints on zoning and entitlements, required updates and deferred maintenance on old properties, and lack of access to amenities like gymnasiums, full kitchens, specialized classroom spaces, outdoor spaces, and insufficient accessibility.⁶⁸

Leasing Versus Owning Facilities

In deciding to either lease or own facilities, charter schools must weigh many considerations and options and their relevancy to the school's circumstances and needs. Figure 2 details common advantages and disadvantages of leasing and owning facilities. Trends in school ownership of facilities are not uniform across states. For example, 7% of charter schools own their facilities in New York (where a majority of New York City charter schools are located in district-owned school facilities), while 46% of charter schools own facilities in Colorado.⁶⁹ Further research is needed to identify the factors impacting differences in ownership types across states.

⁶³ MN Comeback, 2018

⁶⁴ National Alliance, 2017, analysis of CSFI survey data

⁶⁵ [An Analysis of the Charter School Facility Landscape in California](#)

⁶⁶ [An Analysis of the Charter School Facility Landscape in Colorado](#)

⁶⁷ [An Analysis of the Charter School Facility Landscape in New Hampshire](#)

⁶⁸ CSFI, 2013; MN Comeback, 2018

⁶⁹ CFSL, 2013

Figure 2. Advantages and Disadvantages of Leasing v. Owning

Advantages	Disadvantages
Leasing	
<ul style="list-style-type: none"> • Lower upfront costs: The initial costs associated with leasing a property pose less financial burden on schools than purchasing or building a site.⁷⁰ • Fewer property management responsibilities: Charter school operators who lease facilities may rely on a landlord to fulfill property management obligations, freeing time to dedicate to supporting and sustaining the charter school.⁷¹ • Flexibility: Leasing provides flexibility for charter schools that may one day outgrow their school site or find a cheaper option.⁷² 	<ul style="list-style-type: none"> • Potentially higher long-run costs: Management and other fees may accrue and rent often escalates towards the end of lease tenures, so leasing can cost more than owning a facility in the long run.⁷³ • Lack of financial asset building: Charter school operators do not accumulate financial assets while leasing, like they would while owning a building over time.⁷⁴ • Limited control over the property: By leasing, charter school operators are limited in their control over facilities management decisions that impact programming or students.⁷⁵ • Restrictions in converting non-educational spaces: Charter school operators who lease non-educational facilities, such as office or commercial buildings, may face lease restrictions on converting spaces into classrooms, gymnasiums, cafeterias, or playgrounds.⁷⁶ • Instability and uncertainty: Leasing may impose instability or uncertainty on the charter school operator, depending on lease renewal decisions, requiring the operator to seek alternative space if a lease is not renewed.⁷⁷
Owning	
<ul style="list-style-type: none"> • Potentially more economical in the long-run: For schools with large enrollments, facility ownership may be more economical than leasing, as many of the one-time project costs can be spread over more students.⁷⁸ • Autonomy over the facility: By owning a facility, the operator has autonomy to renovate or alter the facility based on the school's specific programming and enrollment needs.⁷⁹ • Permanence: Charter school operators who own facilities do not need to seek out or re-negotiate facilities every couple of years.⁸⁰ 	<ul style="list-style-type: none"> • High upfront costs: Charter school operators purchasing facilities need more financial assets during a school's initial stages, which can be difficult for new schools or those with smaller enrollments who lack funds to secure the lending required to purchase a facility.⁸¹ • Requires financial fluency: Purchasing a facility involves complex negotiations and requires in-depth knowledge of financing options.⁸² • Reduced financial flexibility: Charter school operators who own their facilities have fixed debt payments and lack the opportunity to seek out cheaper options as real estate values change.⁸³ • Time and effort to make the facility suitable: Buying a pre-existing building may require significant financial and time investments if the facility requires major renovations or does not meet current code requirements to be operable for students.⁸⁴

⁷⁰ CCSA, 2016; Capital Impact, n.d.

⁷¹ MN Comeback, 2018

⁷² CCSA, 2016; Capital Impact, n.d.

⁷³ CCSA, 2016; CSFI, 2013; and MN Comeback, 2018

⁷⁴ CCSA, 2016

⁷⁵ MN Comeback, 2018

⁷⁶ MN Comeback, 2018

⁷⁷ MN Comeback, 2018

⁷⁸ MN Comeback, 2018

⁷⁹ CCSA, 2016; Capital Impact, n.d.

⁸⁰ CCSA, 2016

⁸¹ CCSA, 2016

⁸² CCSA, 2016

⁸³ CCSA, 2016

⁸⁴ NOSFP, n.d.

Longer-term Leasing Options

To access more stability in leasing, charter school operators may enter into long-term lease agreements or lease a building with the option to purchase it later on. Long-term leasing provides school operators who have limited capacity to manage and secure financing early on the opportunity to operate in a space for an extended period of time, typically longer than five years.⁸⁵ Under this option, school tenants may be able to negotiate lower cost rent over the long term, as the school provides commitment to the property for a longer period.⁸⁶ Though, long-term leasing comes with the limitations mentioned in Figure 2 and results in limited flexibility if school enrollment increases more drastically than projected or if the cost of alternative lease options becomes more favorable in the long term.⁸⁷

Another option available to some schools is to enter agreements with developers to lease with an option to buy the property at some point in the future, once the charter school operator has built the financial capacity. This option provides school tenants with flexibility in deciding whether to purchase or lease property and allows them to make progress towards ownership by developing credit history and contributing financial equity toward buying the facility. If the school operator decides against purchasing the property, a developer may increase rent in the later years of the agreement.⁸⁸

Constructing a Facility

Charter school operators may also build their own facilities. Constructing a facility offers many of the same benefits of owning an already established facility, including the option of customizing design to meet the academic and non-academic needs of students. New buildings also offer lower maintenance costs compared to aged buildings and can be constructed to maximize utility for school-specific programming.⁸⁹ Though, compared to leasing or purchasing a building, new construction can be very costly and require additional steps and time. These steps include land acquisition, community outreach and public hearings, acquiring additional financing, contracting and negotiating with design and construction firms, additional building permits and approvals, and the added time it takes to construct a building from start to finish.⁹⁰

Access to Public Buildings

Some districts provide charter school operators with access to public buildings through selling, leasing, or providing facilities at no cost. District facilities are the least costly option for charter school operators, with some charter schools inhabiting district buildings at 20% of the cost of renting or owning facilities and some paying nothing at all.⁹¹

A total of 22 states and the District of Columbia have laws to expand charter schools' access to public facilities. These laws can include mandating access to co-location opportunities, publishing lists of vacant

⁸⁵ MN Comeback, 2018

⁸⁶ Charter School Capital, 2018

⁸⁷ Charter School Capital, 2018

⁸⁸ MN Comeback, 2018

⁸⁹ MN Comeback, 2018

⁹⁰ MN Comeback, 2018

⁹¹ CSFI, 2013

facilities and space within partially occupied facilities, giving charter schools right of first refusal, and reducing the costs of facilities available to charter schools.⁹² Some states legally obligate districts to offer the lease or purchase of vacant public school facilities to charter schools prior to soliciting offers from third parties through right of first refusal laws.⁹³ As of January 2017, 22 states required districts to provide unused public facilities to charter schools and give charter operators the right of first refusal before selling or leasing to others.⁹⁴ For example, Ohio law requires local school boards to offer to sell or lease school buildings that have not been used for two years to charter schools.⁹⁵ At least 18 states also require periodic publishing of lists of unused public buildings.⁹⁶

Some public entities offer charter schools facilities at discounted rates. The Chicago Board of Education leases a limited number of Chicago Public Schools facilities to charter schools for one dollar per year on five-year lease terms.⁹⁷ The state of Indiana includes a provision in their right of first refusal law that sets public building costs offered through the provision at one dollar.⁹⁸ Though laws expanding charter school operators' access to public buildings are often set at the state level, districts or localities are the entities that declare whether local facilities are unused or in surplus. This has created tensions between charter schools and localities in determining which local facilities are subject to relevant laws granting charter schools' access to public facilities.⁹⁹

Co-location

Co-location, or the occupation of a facility simultaneously with another entity, is an additional means by which charter schools access facilities. Co-locations are most common in places where the cost and availability of facilities in the real estate market restrict access to facilities, especially in urban locations such as Chicago, New York City, Denver, Boston, Milwaukee, and large districts in California.¹⁰⁰ Charter schools might co-locate with other schools, religious institutions, or other organizations. Some charter schools co-locate to facilitate partnership with an organization to offer cross-collaborative programming to support local families, such as with health centers or early childhood education providers.¹⁰¹

Co-location offers charter schools cost-effective access to spaces and resources, however, co-locating may come with drawbacks for some schools. Co-location often requires schools to share common spaces, such as kitchens, cafeterias, libraries, gymnasiums, hallways, stairways, office spaces, or parking lots with other schools or commercial buildings. Although sharing common spaces can be complicated for a school to manage, co-location may provide a school access to these features where not available otherwise and at a lower cost.¹⁰² When two schools share facilities, school leaders must negotiate the use of shared spaces, including addressing school culture and climate, which may cause conflicts when schools have competing

⁹² Gill & Maas, 2017; LISC, 2014

⁹³ LISC, 2014

⁹⁴ Gill & Maas, 2017

⁹⁵ Statute 3313.14

⁹⁶ Gill & Maas, 2017

⁹⁷ https://www.cpsboe.org/content/actions/2020_01/20-0122-OP2.pdf

⁹⁸ Gill & Maas, 2017

⁹⁹ Gill & Maas, 2017; Squire, Robson, & Smarick, 2014

¹⁰⁰ Winters, 2014

¹⁰¹ MN Comeback, 2018

¹⁰² Capital Impact, 2017

needs and may result in issues with program implementation and operational challenges.¹⁰³ However, limited research has been done on the sustainability or effectiveness of schools that co-locate or on the academic and non-academic impacts of co-location on students.

Facility Incubators

Charter school facility incubators are part of a movement to support the development of high-quality charter schools through organizations or initiatives that offer low-cost school facilities and other supports to charter schools. Some incubators offer low-cost, short-term access to facilities for early-stage charter schools, allowing school leaders to focus on school programming, academics, operations, and financial soundness of the charter schools in the first couple of years of operation.¹⁰⁴ This may include co-location. A facility incubator may also manage the operations of facilities and sometimes assists growing charter schools in the search for a new space and financing to secure a facility.¹⁰⁵ This allows charter schools to build financial capital and spend additional time seeking out facilities specific to their needs, while beginning operations.¹⁰⁶

Some charter facility incubators represent how charter schools and traditional public school districts may work together in a mutually beneficial manner. The box highlights Building Pathways, which has been credited with initiating the facility incubator movement. The program began with a \$5 million Credit Enhancement grant from the U.S. Department of Education in 2004 and a \$4 million Federal appropriation with the Scholarship for Opportunity Results Act.

There is limited literature describing the operation of facility incubator programs and no research yet to show the effectiveness of these programs related to sustainability of charter schools, management of funds, or student achievement.

The Charter School Facilities Acquisition Process

When identifying a school site, charter school operators must consider current and projected student enrollment, programmatic needs, accessibility to the target school community, public building availability, and access to financing.¹⁰⁷ Those closest to the work of opening charter schools report that acquiring an appropriate facility is a critical challenge for many new school developers and schools looking to replicate in a new setting.

BUILDING PATHWAYS: INCUBATORS IN WASHINGTON, D.C.

Building Pathways, formerly the Charter School Incubator Initiative, is a public-private partnership between the District of Columbia Office of the State Superintendent of Education and the nonprofit organization Building Hope to provide access to vacant or underused school facilities for early stage or replicating charter schools in Washington, D.C.

- From its inception in 2006, Building Pathways has supported 26 charter schools in 15 different incubator sites (Field & Smith, 2019).
- Between 2011–2016, 12 of the 25 new charter schools in D.C. opened in Building Pathways facilities (Field & Smith, 2019).

¹⁰³ CSFI, 2013c; CSFI, 2019; DeArmond, Cooley Nelson, & Bruns, 2015; and The Research Alliance, 2016

¹⁰⁴ Field & Smith, 2019

¹⁰⁵ Field & Smith, 2019

¹⁰⁶ NOSFP, n.d.

¹⁰⁷ MN Comeback, 2018

CSO SUPPORT FOR FACILITIES

Some CSOs provide supports to charter schools in acquiring and maintaining facilities. Supports range from step-by-step guides for schools attempting to access public facilities to state-by-state resources for evaluating public and non-public facilities options. For example, the New York City Charter School Center provided [step-by-step guidance on requesting co-location and examples of requesting forms](#) and California Charter School Association (CCSA) provides a [handbook on developing charter school facilities](#). Some CSOs also provide guidance to charter school authorizers related to facilities oversight. The Minnesota Association of Charter Schools provides guidance on an [authorizers' role in overseeing school facilities](#).

facility options during the initial application phase.¹¹² Only one-third of charter school proposals identified a facility when applying, and those that did identify a facility were approved at the same rates as charter proposals where a facility was not identified.¹¹³

Once a building has been acquired, charter schools are expected to meet the same federal requirements for school facilities as those for traditional public schools, such as the requirements in accordance with the Americans with Disabilities Act.¹¹⁴ Charter schools are not always required to follow the same state educational building code requirements as traditional public schools, though charter schools are subject to the basic state and local building code standards, such as fire codes and environmental conditions. Charter schools that occupy publicly owned educational buildings, such as through co-location or leasing, may be subject to state educational building

Charter school support organizations (CSOs), entities that provide advocacy, training, and other services for charter schools, have reported that locating proper facilities is one of the primary reasons for a school's delay in opening, as facility availability and costs create barriers for many charter school operators.¹⁰⁸ Charter school operators may spend over a year finding a school and preparing to open it; renovation and construction projects can take over three years from start to finish.¹⁰⁹ Many CSOs recommend that operators of new charter schools start the search for a facility at least a year before the initial charter application is submitted and suggest hiring staff with real estate and facilities management experience as early as possible.¹¹⁰ However, acquiring a lease for a charter school site before the charter application is approved can be risky as landlords may not want to reserve these facilities over long periods of time during an application process with uncertain outcomes.¹¹¹

Most authorizers do not require prospective charter operators to identify a secured facility or memorandum of understanding with owners of potential

TRENDS IN CHARTER SCHOOL LOCATIONS

Many charter schools explicitly aim to provide a high-quality education to historically disadvantaged students, or to provide choice options to low-income families. Historically, this has meant 56% of charter schools locating in urban areas, partially in an attempt to serve these communities (NCES, 2019). However, as gentrification and increasing real estate costs force many low-income families out of urban centers, charter schools may struggle to find affordable space in urban areas or may need to relocate to better serve their target communities (NCSRC, 2020).

¹⁰⁸ CCSA, 2016; MAPCS, n.d.; MN Comeback, 2018; and MCPSCA, 2018

¹⁰⁹ MN Comeback, 2018

¹¹⁰ CCSA, 2016; MAPCS, n.d.; MN Comeback, 2018; and MCPSCA, 2018

¹¹¹ MN Comeback, 2018

¹¹² NCSRC analysis. For states with Local Education Agency (LEA) authorizers, a sample of applications were reviewed. See this link for a list of those states: <https://www.qualitycharters.org/state-policy/multiple-authorizers/list-of-charter-school-authorizers-by-state/>

¹¹³ NACSA, 2020

¹¹⁴ <https://www.wbdg.org/building-types/education-facilities/elementary-school>

code requirements. A few states, such as New Mexico, South Carolina, and Georgia, have charter-specific facility standards or require charter schools to meet the state educational facility standards.^{115, 116, 117, 118}

¹¹⁵ <https://law.justia.com/codes/new-mexico/2016/chapter-22/article-8b/section-22-8b-4.2/>

¹¹⁶ <https://ed.sc.gov/scdoe/assets/file/agency/os/School-Facilities/documents/CharterFacilityApprovalProcessAndForm-12-27-12.pdf>

¹¹⁷ <https://www.huntersville.org/DocumentCenter/View/3559/2018-resource-manual>

¹¹⁸ <http://archives.gadoe.org/DMGetDocument.aspx/Navigating%20the%20Facilities%20Process.pdf?p=6CC6799F8C1371F6E8896DCBCF4D6421ECoC56973C8F4E13E3BoDC6F9A6F33B3&Type=D>

Facilities Funding for Charter Schools

Charter schools receive per pupil operating funds to pay for general school operations as well as facilities debt, lease payments, and ongoing facilities operation and maintenance costs.¹¹⁹ The percentage of charter school operating budgets dedicated to facility leases and debt ranged from 2.8-13.7% in an analysis of charter facilities landscapes in 12 states.¹²⁰

This funding structure elicits two critiques from some stakeholders. First, either efficient use of facilities funding or separate, facilities-specific funding for charter schools is necessary to maximize the amount of per pupil operating funds that go towards teachers' salaries, student support services, and other operational work.¹²¹ Second, operating funds are not a dependable source for all types of charter school facilities funding, as a few state laws restrict the use of state operating funds to pay off long-term lease or debt and per-pupil funding varies depending on student enrollment.¹²²

State and Federal agencies have created programs that provide additional facilities funding for charter schools or reduce their cost of borrowing.¹²³ Use of dedicated per pupil operating revenue for facilities is lowest where the state provides consistent, facilities-dedicated funding.¹²⁴ In addition to public sources, charter schools may also seek out private funding and lending for facilities costs.¹²⁵ Figure 3 details the core funding streams that support charter schools' facilities spending: general per-pupil funding, four facilities-specific public funding sources, and two prominent private funding sources. These sources are explained in the remainder of this section. The next section will detail programs that reduce the cost of borrowing for charter schools.

¹¹⁹ Baker & Miron, 2015; CSFI, 2013; and Cunningham, 2011

¹²⁰ CSFI, 2013

¹²¹ CSFI, 2013

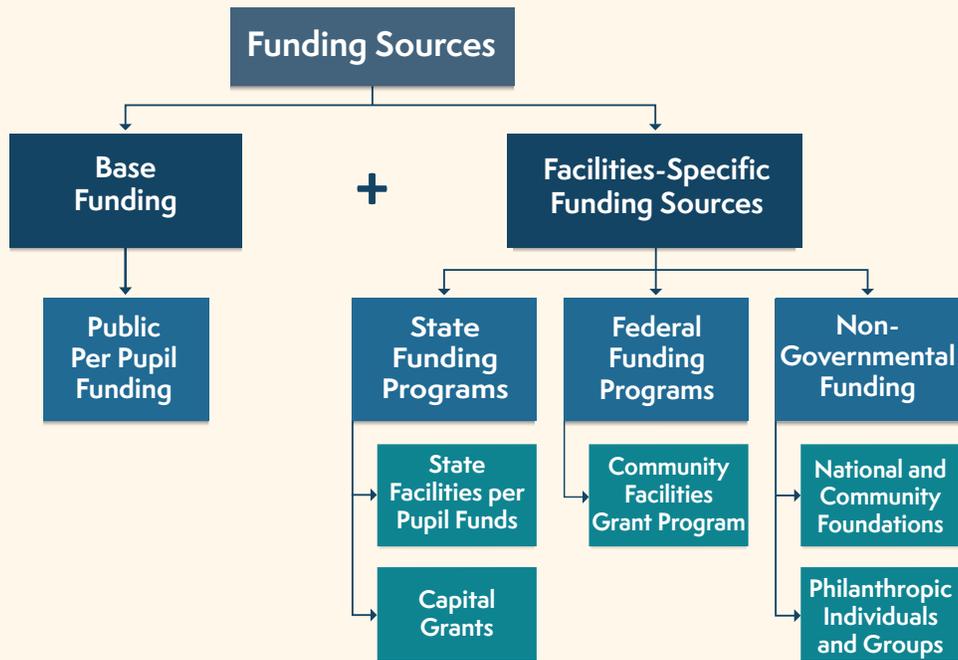
¹²² Baker & Miron, 2015

¹²³ Charter School Facility Center, 2019; LISC, 2014

¹²⁴ CSFI, 2013

¹²⁵ LISC, 2014

Figure 3: Facilities Funding Sources

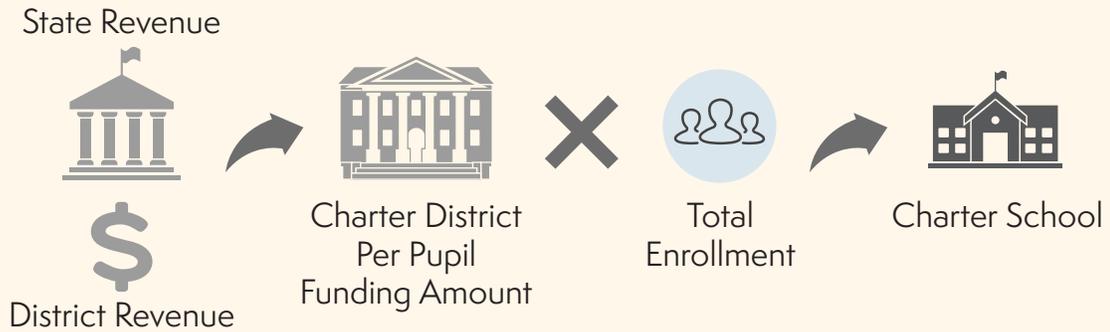


Base Funding

The basis for charter school funding comes in the form of per pupil funding, where charter schools receive a certain amount of funds for each student enrolled to pay for general education expenses. Per pupil funding formulas for charter schools fall into three categories, determined by the charter authorizing district (Figure 4), the student’s district of residency (Figure 5), or at the state level (Figure 6).

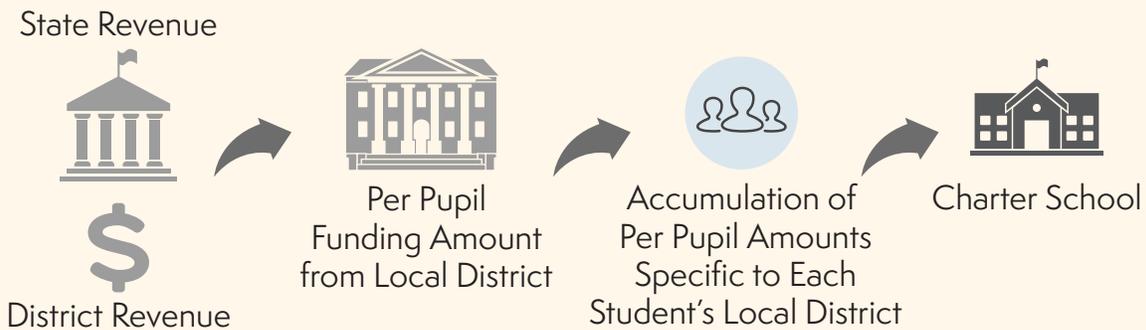
The most common type of per pupil funding formula is per pupil funding determined by the district in which the charter school is authorized to operate, otherwise known as the charter authorizing district. Through this method, charter schools receive per pupil funding based on the authorizing district’s revenues, which include funds that are passed through the district from the state. A student’s per pupil funding amount is dependent on the district in which their enrolled school is authorized, so charters using this method receive the same amount of per pupil funding for each enrolled student regardless of the student’s home district (see Figure 4).

Figure 4: Per Pupil Funding Determined by the Charter Authorizing District



In the second category, some states use a per pupil funding system that ties a student’s state and local funding to the locality in which each student lives. This means that students coming to a charter school from different districts may bring in different funding amounts, depending on each district’s income and characteristics (see Figure 5).

Figure 5: Per Pupil Funding Determined by the Student’s District of Residency



The third funding method sets per pupil funding amounts at the state level. This can mean a flat per pupil funding amount across all students from all geographic areas or a funding formula created at the state level that considers local incomes and costs for each area (see Figure 6).¹²⁶

Figure 6: Per Pupil Funding Determined at the State Level



¹²⁶ Shen & Berger, 2011

Facilities-Specific Funding Sources

Governmental Funding

Federal and state governments have created several types of programs to support the charter school community in accessing quality facilities. Funding from these programs tends to be designated for capital improvements and many are based on competitive applications.

State Funding Programs

The most common forms of facilities funding support by states are per pupil facilities funding to charter schools, facility grant programs, and facility loan programs.^{127,128} As of 2019, 11 states gave charter schools access to the same state facilities programs as traditional public schools.¹²⁹ These programs include grant or loan programs for activities like leasing, purchasing, renovating, or repairing facilities. An additional 21 states have policies that offer charter schools some type of added facilities support, though the extent of this support varies and some programs in 12 states were not funded as of 2019. A total of 15 states with charter laws had no policies in place to provide additional facilities support to charter schools.¹³⁰ See Appendix D for a full list of facilities support by state.

Per Pupil Funding

Per pupil facilities funding provides charter schools with a certain amount of funding for each enrolled student, specifically for use on facilities and beyond the base per pupil funding.¹³¹ Some programs restrict these funds to facilities construction and capital costs, while others allow funds to be used for both capital and operating costs. In 2019, 13 states provided this type of funding. Per-pupil facilities allowances range from \$160 per elementary school student in Pennsylvania to \$4,500 per student in New York.¹³² In five states, eligibility for per pupil facilities funding is limited by school academic strength, where funding is restricted for schools with poor academic performance.¹³³ State funding of per pupil facilities programs increased between 1998 to 2019, with 2018–2019 appropriations for these programs the highest to date in 9 of the 13 states with per pupil facilities funding.^{134,135} See Figure 7 for per pupil facilities funding ranges by state.¹³⁶

Per pupil facilities funding is the only source of consistent, annual public funding dedicated to facilities for charter schools, yet less than half of all states with charter laws provide this type of funding and amounts

¹²⁷ These three forms of funding are not guaranteed base funding by states.

¹²⁸ Charter School Facility Center, 2019

¹²⁹ Charter School Facility Center, 2019

¹³⁰ Charter School Facility Center, 2019

¹³¹ Arizona, Georgia, Massachusetts, Tennessee, and Utah provide a facilities per pupil calculation within their base per pupil funding formulas for charter schools. Research is limited in determining the extent to which these types of formulas result in additional facilities revenue for schools.

¹³² CSFI, 2019

¹³³ These states include Arkansas, Florida, Indiana, Ohio, and Texas.

¹³⁴ Data for New York was unavailable.

¹³⁵ Charter School Facility Center, 2020a

¹³⁶ See this resource for additional detailed information about facilities funding state-to-state: https://facilitycenter.publiccharters.org/sites/default/files/2019-08/facilities-funding-19_report-final-3.pdf

range widely.¹³⁷ In Ohio, charter schools receive \$100 in per pupil facilities funding, while Ohio charter schools reported facilities costs of \$785 per pupil in 2014–2015.¹³⁸ Massachusetts charter schools spent an average of \$1,235 per pupil on facilities costs, which was \$342 more than their per pupil funding.¹³⁹

Capital Grant Programs

Capital grant programs are another popular means of state funding support for charter school facilities. By 2019, 15 states had created charter school facility grant programs, although just over half of these grant programs are funded.¹⁴⁰ These grant programs differ in purpose, size, and eligibility. Delaware’s grant program, for example, provides funds for minor capital improvement projects, while grants in Washington, D.C. support a wider range of activities, including new construction, system upgrades, and pre-development costs like those relating to engineering, financing, and legal fees. See Figure 7 for states providing capital grant programs for charter schools. Though capital grant programs typically function as one-time or short-term funds, in some states, capital grant programs function as rental reimbursement, compensating as much as 75% of rental or lease costs to schools.^{141,142} These programs frequently come with specific eligibility requirements, often giving priority to charter schools in lower income districts.¹⁴³ For example, schools qualifying for California’s grant program must serve a population where 70% of students are eligible for FRPL.¹⁴⁴ Research is limited in identifying the accessibility of these programs for charter schools nationally and the extent to which they cover costs for schools.

Figure 7: Facilities Funding Programs by State

States with Facilities Funding Programs	Per Pupil Funding Amount ¹⁴⁵	Facility Grant Program
Arizona	> \$1,000 (Embedded in base per pupil funding)	Yes, not funded as of 2019
Arkansas	\$351 – 499	Yes
California	> \$1,000	Yes
Colorado	< \$350	None
Connecticut	None	Yes
Delaware	None	Yes, not funded as of 2019
District of Columbia	> \$1,000	Yes
Florida	\$500 - \$999	None
Georgia	> \$1,000 (Embedded in base per pupil funding)	Yes

¹³⁷ Charter School Facility Center, 2019; Charter School Facility Center, 2020a

¹³⁸ CSFI, 2017

¹³⁹ CSFI, 2013b

¹⁴⁰ Charter School Facility Center, 2019; Charter School Facility Center, 2020a

¹⁴¹ <http://library.ccsa.org/2012/08/sb-740-charter-school-facility-grants-and-funding-determinations.html>

¹⁴² <https://www.education.pa.gov/Teachers%20-%20Administrators/School%20Construction%20and%20Facilities/Pages/Charter-Schools.aspx>

¹⁴³ ECS, 2018

¹⁴⁴ CSFI, 2015

¹⁴⁵ Per pupil amounts were reported in categories for simplicity and as some states provide differing amounts of per pupil funding based on school characteristics like grade levels served.

States with Facilities Funding Programs	Per Pupil Funding Amount ¹⁴⁵	Facility Grant Program
Idaho	< \$350	None
Indiana	\$351 – 499	Yes, not funded as of 2019
Massachusetts	\$500 - \$999 (Embedded in base per pupil funding)	None
Minnesota	> \$1,000	None
New Hampshire	None	Yes, not funded as of 2019
New Mexico	\$500 - \$999	Yes, not funded as of 2019
New York	> \$1,000	Yes
Ohio	< \$350	None
Oklahoma	None	Yes, not funded as of 2019
Pennsylvania	< \$350	Yes, not funded as of 2019
Tennessee	< \$350 (Embedded in base per pupil funding)	None
Texas	< \$350	None
Utah	< \$350 (Embedded in base per pupil funding)	None

Note: Adapted from Charter School Facility Center, 2019 and ECS, 2018

Federal Funding Programs

Three federal grant programs provide facilities support to the charter school sector, two from the U.S. Department of Education and one from the U.S. Department of Agriculture (USDA).

Charter School Programs

Funded by the Charter School Programs in the U.S. Department of Education, the State Charter School Facilities Incentive Grants Program (State Incentive Grants Program) has provided over \$190 million in funds to states to establish or bolster per pupil facilities funding for charter schools. Since 2009, California and Indiana have each received these grants over two grant cycles.¹⁴⁶ Though not a facilities-specific funding source, grants to CMOs for the Replication and Expansion of High-Quality Charter Schools (CMO Grants) support CMOs in increasing the number and size of charter schools they manage. CMO Grants cannot be used for school construction, but grantees can use funding for eligible school renovations and minor facilities repairs. A total of 106 grants have been made to CMOs between 2010–2020.¹⁴⁷

Community Facilities Program

Funded by the USDA, the Community Facilities Program provides multiple supports to entities providing essential community facilities in rural areas, including charter schools. A small portion of these supports include grants that are available to fund between 35–75% of proposed facilities projects depending on factors like population size and income of the community served. These grants average between

¹⁴⁶ OESE, 2019

¹⁴⁷ OESE, 2020

\$40,000 and \$50,000.¹⁴⁸ As of 2017, 18 charter schools received a total of \$2 million in funding from this program.¹⁴⁹

Non-Governmental Funding

Charter schools can also seek additional capital funding from foundations and philanthropic groups.

Foundations

Foundations provide facilities support through multiple channels, including grants that do not need to be repaid. As of 2014, the most prominent foundations involved in helping fund and finance charter facilities across multiple geographic regions were the Bill & Melinda Gates Foundation, the Daniels Fund, and the Walton Family Foundation.¹⁵⁰ While mostly investing in financing programs, these foundations have also provided some grants to fund the construction and acquisition of charter school facilities. For example, the NewSchools Venture Fund, launched with help from the Bill & Melinda Gates Foundation, provided grants of up to \$5 million to charter school networks over three years.¹⁵¹ The Walton Family Foundation's Charter Startup Grant has invested more than \$407 million in charter schools to date.¹⁵² Charter schools also receive capital funding from family and community foundations that are more localized. For example, Denver's Donnell-Kay Foundation and Southern California's Weingart Foundation provide grants to charter schools and other community-building organizations for facilities and other expenses.¹⁵³ Research on charter schools' reliance on foundation funding and how prevalent these sources are in supporting the charter facilities sector is limited.

Philanthropic Individuals or Groups

Additionally, some charter schools seek out philanthropic individuals or groups and investors for financial support for facilities. Individual donors and investors may engage in these investment activities to promote the growth of the charter sector and in exchange for tax breaks.¹⁵⁴ These groups provide direct donations, donate stocks or bonds, and purchase properties to lease to charter schools at lower rates than the private market.

Studies have attempted to quantify charter schools' reliance on philanthropic and other non-public sources in charter school funding, though not specific to facilities. A 2015 study of charter school funding sources not limited to facilities found that among 15 states, around two-thirds of charter schools received philanthropic support. The researchers found that the amount of philanthropic support charter schools receive varies widely within and across states.^{155, 156} Another report analyzing New York City charter schools

¹⁴⁸ HUD Exchange, 2015

¹⁴⁹ LISC, 2017

¹⁵⁰ LISC, 2014

¹⁵¹ Wohlstetter et al., 2011

¹⁵² Walton Family Foundation, 2020

¹⁵³ Wohlstetter et al., 2011

¹⁵⁴ LISC, n.d.b

¹⁵⁵ However, these results should be interpreted with caution as the methods of this and publications by the same authors have come under scrutiny for their inaccurate labeling of public funds (Baker, 2014; Baker & Ferris, 2011 & Baker, Libby & Wiley, 2012).

¹⁵⁶ Batdorff et al., 2015

found that philanthropy amounts vary within districts, identifying that some schools receive as high as \$10,000 in additional per pupil revenue, while some receive no additional revenue at all. The authors of that report also found that charter schools not run by CMOs received less funding from philanthropic sources on average.¹⁵⁷

Research is limited in identifying the extent to which charter schools rely on philanthropic support to fund charter school facilities. As available research currently suggests that the availability of philanthropy as a source of funding varies greatly across the charter sector, it is hypothesized that charter school reliance on philanthropic groups or individuals as a funding mechanism for facilities also varies across contexts.

¹⁵⁷ Baker & Ferris, 2011

Financing Support for Charter School Facilities

In addition to funding programs that provide direct investment in charter school facilities, financing support from both the public and the private sectors assists charter schools in acquiring and funding facilities.

As acquiring, constructing, and renovating facilities require high upfront costs, traditional school districts and charter schools take out long-term debt to finance these projects.¹⁵⁸ Borrowing to pay for facilities can be difficult for charter schools.¹⁵⁹ Though all borrowers have some level of risk, to lenders, charter schools pose greater financial risk than traditional public schools, who benefit from borrowing backed by property taxes. Charter schools are also seen as riskier compared to other organizations or businesses who engage in the private lending market, as they often lack a credit-based track record or collateral and have variable revenues driven by voluntary student enrollment.¹⁶⁰ Additionally, charter schools must apply for renewal on a regular basis, which varies by authorizer, and charters may be revoked by charter authorizers for a variety of financial, management, and academic reasons.¹⁶¹ Low academic achievement has been identified as the main cause of school financial default on loans or bonds, often driving other factors like enrollment, funding, and charter renewal decisions.¹⁶² Lenders often assess a charter school's lending risk based on the types of data used by authorizers in determining charter school closure. This includes data on school enrollment, both annual and planned; student applications and waitlists; test scores; management and budget; teacher retention; liquidity; and debt burden.¹⁶³ As perceived higher risk investments, charter schools often face higher interest rates when borrowing or difficulty entering the lending market entirely.¹⁶⁴

In this section, we detail the types of financing support charter schools receive from state and federal sources as well as the private sector. Figure 8 provides an example of how some of these programs work to reduce the cost of charter school borrowing in a facilities transaction.

¹⁵⁸ Baker & Miron, 2015

¹⁵⁹ NACSA & LISC, 2015; NOSFP, n.d.

¹⁶⁰ NACSA & LISC, 2015

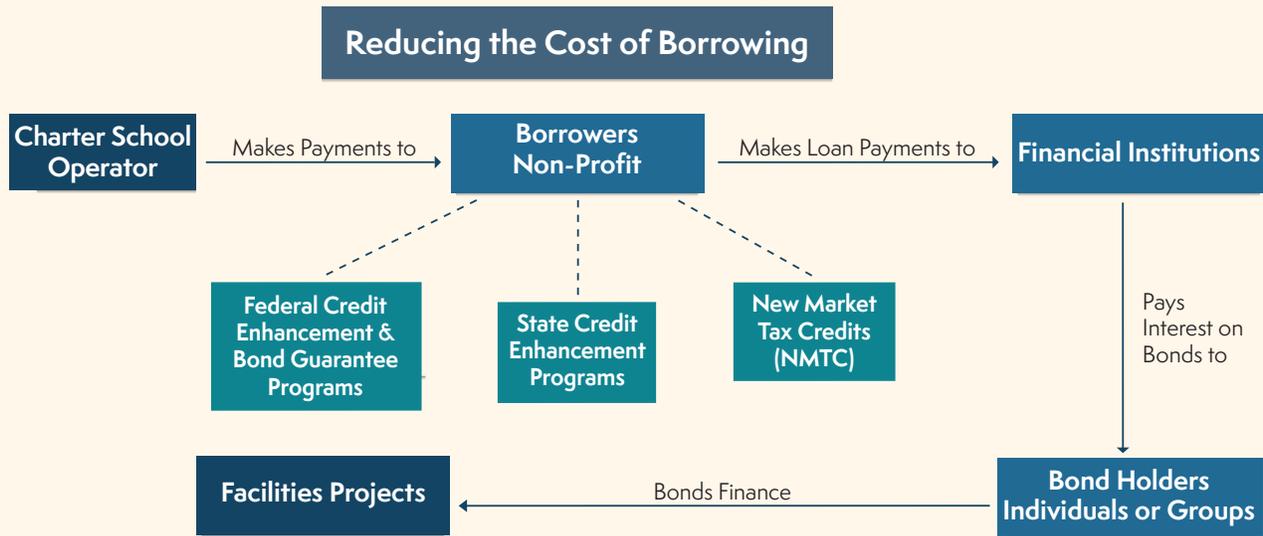
¹⁶¹ NOSFP, n.d.

¹⁶² Berry, 2015

¹⁶³ NACSA & LISC, 2015

¹⁶⁴ Baker & Miron, 2015

Figure 8: Facilities Financing Process



Note: Adapted from Baker & Miron, 2015.

State Programs Reducing the Cost of Borrowing

State programs reduce the cost of borrowing for charter schools by providing access to the tax levy process, charter facility loan programs, tax-exempt bond programs, and credit enhancement programs.

Tax Levy Process

One way that traditional public school districts pay for school facilities costs is through the tax levy process, where districts put to vote tax increases that directly fund debt payments for capital expenses. With the exception of four states, this process is not available to charter schools, limiting the flexibility of charter schools' public funding base. New Mexico and Colorado are the only states that allow charter school operators to propose their own tax levies.^{165,166} In Alaska, the law requires local school boards to give charter schools tax revenues generated specifically for school facilities and Florida's law requires district tax levies under certain circumstances where state appropriations fall short of average charter school capital spending.¹⁶⁷

Charter Facility Loan Programs

Charter facility loan programs provide loans to charter schools – often for the purchase, construction, renovation, and maintenance of facilities – and vary by amount offered per school, length, and interest rate. Many of these programs provide below-market or interest-free loans to schools.¹⁶⁸ Though 14 states have created these programs in law, four are not funded.¹⁶⁹ Research is limited in defining the extent to which schools participate in charter facility loan programs in states where they exist. See Figure 9 for a list of funded and non-funded loan programs by state.

¹⁶⁵ Tax increases where the revenues go directly to fund school projects.

¹⁶⁶ N.M. Stat. § 22-25-3 and § 22-25-7 & Colo. Rev. Stat. § 20-30.5-118 and § 20-30.5-119

¹⁶⁷ Alaska Stat. § 14.03.260 & Florida Stat. § 1013.62 and Florida Stat. § 1011.71

¹⁶⁸ ECS, 2018

¹⁶⁹ Charter School Facility Center, 2019

Figure 9: Funded Charter Facility Loan Programs by State

State	Loan Program	Type	Amount Offered
Arkansas	Open Enrollment Public Charter School Facilities Loan fund provides funding for the lease, purchase, renovation, repair, construction, installation, restoration, alteration, modification, or operation and maintenance of an approved facility.	Low-interest loans	Not funded as of 2019.
California	Charter School Revolving Loan Program provides loans for new-start charter schools.	Below-market loans	Up to \$250,000 per school.
Colorado	Charter School Matching Moneys Loan Program provides loans for capital construction.	Low-interest loans with a matching funds requirement	An amount that does not exceed 50% of the amount of matching moneys calculated for the eligible charter school.
Connecticut	Low-Interest Loans provides loans through the Connecticut Health and Educational Facilities Authority.	Low-interest loans	
District of Columbia	Direct Loan Fund for Public Charter School Improvement provides loans for construction, acquisition, renovation, and and/or maintenance of public charter school facilities.	Low-interest loans with flexible terms	Loans are capped at \$2 million per school
Illinois	Charter Schools Revolving Loan Fund provides loans for school startup costs and acquisition and remodeling a suitable physical plant within the initial term of the charter school.	Interest-free loans	Loan amounts cannot exceed \$750 per student.
Indiana	Charter School Loan Program provides loans for facilities and a wide range of educational needs.	Low-interest loans	Charter schools can borrow up to \$5 million each at 1% interest.
Louisiana	Louisiana Charter School Start-Up Fund provides zero-interest loans for terms of up to three years for both new and existing charter schools.	Interest-free loans	Not funded as of 2019.
Nevada	The Account for Charter Schools Revolving Loan Fund provides loans for costs incurred in preparing a charter school to commence its first year of operations or to improve a charter school that has been in operation.	Below-interest loans	The maximum loan amount is the lesser of \$500 per pupil or \$200,000. Repayment must be completed in three years.
Ohio	Revolving Loan Fund allows charter schools to apply to use funds for any services described in their charters.	Low-interest loans	Not funded as of 2019.
Rhode Island	Interest-free Loans provide startup costs for charter schools in the event that federal startup funds either are unavailable or are fully expended.	Interest-free loans	Not funded as of 2019.
South Carolina	Charter School Facility Revolving Loan Program provides accepted applicants with initial funding for constructing, purchasing, renovating, and maintaining public charter school facilities.	Low-interest loans	As of 2019, there was a total of \$1.1 million appropriated to this program.
Tennessee	Charter School Facilities Program Loans for qualifying capital projects.	Low-interest loans	A total of \$18 million was initially appropriated for this fund through 2021.
Utah	Charter School Revolving Loan Fund provides loans to charter schools for the costs of constructing, renovating, and purchasing charter school facilities.	Low-interest loans	As of 2019, there was approximately \$6 million in this fund.

Sources: Charter School Facility Center, 2019; ECS, 2018

Tax-exempt Bond Programs

Another tool implemented by states to reduce the cost of charter school borrowing involves access to the tax-exempt bond market, which offers lower cost financing compared to traditional lending sources due to the fact that the financing is not taxed. By providing charter schools with access to the tax-exempt bond markets, charter school operators can take on lower interest rates and longer-term debt to finance facilities compared to private market borrowing options. These bond transactions have detailed reporting requirements, are restrictive in use, and require multiple parties to complete. For these reasons, tax-exempt bonds are recommended for projects costing more than \$5 million.¹⁷⁰ Between 1998 and 2014, charter schools executed 818 tax-exempt bond transactions in 29 of the 36 states where charter schools have access to the tax-exempt bond market.¹⁷¹ Charter school operators receiving the highest rated bonds were backed by bond guarantees, where an outside entity formally agreed to pay a school's bond debt in the case of a charter school default. This allowed them to receive enhanced credit ratings and interest rates a full percentage point lower than the average bond received by a charter school.¹⁷²

Credit Enhancement Programs

Additionally, some states employ credit enhancement programs to increase charter school operators' access to lower interest rate borrowing, which is one of the lowest cost and most effective options to expand facilities financing to charter schools.¹⁷³ Arizona, Colorado, Idaho, Texas, Utah, and the District of Columbia have instituted credit enhancement programs that absorb some of the risk of lending to charter schools.¹⁷⁴ These programs set aside money for schools in the event of a loan default or offer lower interest rate bonds to charter school borrowers.¹⁷⁵ Colorado, Idaho, and Utah have moral obligation programs where the states make non-binding agreements to pay back the debt owed if charters default.¹⁷⁶ These state-level credit enhancement programs have “dramatically” increased the presence of high credit ratings in the charter bond market, according to a 2015 study.¹⁷⁷ The highest credit lending ratings, which offer the lowest-interest rate lending to charter school operators, were only accessible to schools using credit enhancement programs (both state-level and private).¹⁷⁸ A total of 17% of bond transactions were credit enhanced from 1998 to 2014.¹⁷⁹ See Figure 10 for a full list of state credit enhancement programs.

¹⁷⁰ Capital Impact Partners, 2017

¹⁷¹ For a list of states and their bond issuances, see [Charter School Bond Issuance: A Complete History](#).

¹⁷² Berry, 2015

¹⁷³ Berry, 2015

¹⁷⁴ Building Hope, 2017; Clark-Herrera et al., 2019; OSSE, n.d.

¹⁷⁵ Building Hope, 2017

¹⁷⁶ Building Hope, 2017; Clark-Herrera et al., 2019

¹⁷⁷ Berry, 2015

¹⁷⁸ Berry, 2015

¹⁷⁹ Berry, 2015

Figure 10: Credit Enhancement Programs by State

States with Credit Enhancement Programs	Type of Program
Arizona	Guaranteed Bond Program: provides bond guarantees to charter schools with an “A” academic rating through competition. ¹⁸⁰
Colorado	Charter School Intercept Program: the state agrees to divert a charter school’s state per pupil funding to directly pay debt on capital construction bonds on the school’s behalf, allowing them to receive lower cost financing. Schools qualify if they receive enough state funding to cover the cost of the construction bond. ¹⁸¹ Moral Obligation Program: offers state backing to take on charter lending risk. Schools are eligible if they have an investment-grade credit rating that was achieved independently. ¹⁸²
District of Columbia	Credit Enhancement Revolving Fund: provides enhanced credit, lease guarantees, and access to financial assistance to eligible public charter schools for the acquisition, renovation, and/or construction of school facilities. ¹⁸³
Utah	Moral Obligation Program: charter schools applying to the state’s moral obligation program must demonstrate a number of qualifications for eligibility, including good academic standing, as defined by the state, meeting all chartering requirements, and a stable or improving financial operating history. ^{184, 185}
Texas	Guaranteed Bond Program: offers a limited number of school bonds for facilities fully guaranteed by the state if charter schools qualify for at least investment-grade credit. ¹⁸⁶
Idaho	Moral Obligation Program: Idaho provides moral obligation, a non-binding agreement to take on the lending risk, for charter schools in good academic, operational, and financial standing. This allows schools access to lower interest bonds. ¹⁸⁷

Federal Programs Reducing the Cost of Borrowing

Six federal programs reduce the cost of borrowing for charter school facilities (See Figure 11). The U.S. Department of Education administers one, the U.S. Department of Treasury administers three, and the USDA administers two.

¹⁸⁰ <https://education.azgovernor.gov/edu/resources-0>

¹⁸¹ <https://www.colorado.gov/pacific/treasury/charter-school-intercept-and-moral-obligation>

¹⁸² <https://www.colorado.gov/pacific/treasury/charter-school-intercept-and-moral-obligation>

¹⁸³ <https://osse.dc.gov/service/facilities-financing-dc-public-charter-schools>

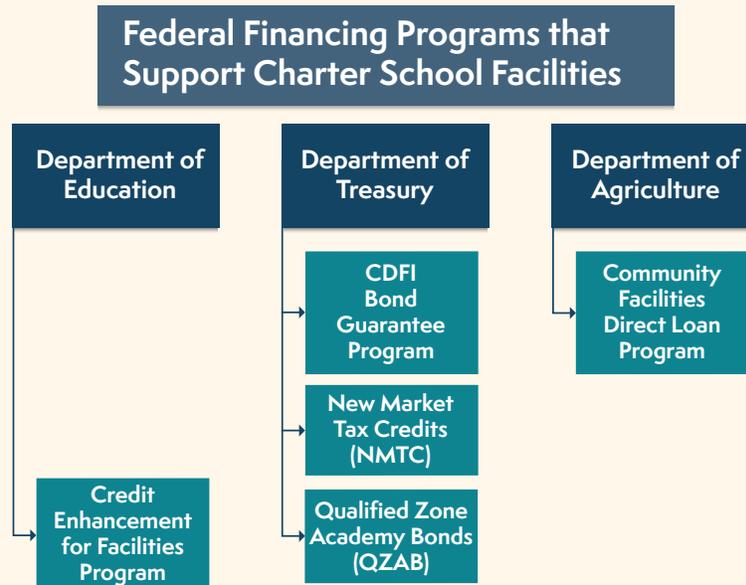
¹⁸⁴ <https://www.publiccharters.org/our-work/charter-law-database/components/19>

¹⁸⁵ <https://ucsfa.utah.gov/credit-enhancement-program/>

¹⁸⁶ <https://tea.texas.gov/finance-and-grants/state-funding/facilities-funding-and-standards/bond-guarantee-program>

¹⁸⁷ <https://idahocsn.org/2019/04/09/idaho-charter-schools-make-gains-during-2019-legislative-session/>

Figure 11: Federal Financing Programs that Support Charter School Facilities



Credit Enhancement for Charter School Facilities Program

The Department of Education’s Credit Enhancement for Charter School Facilities Program (Credit Enhancement Program), helps eligible financial entities increase the access and availability of loans and bonds for charter schools looking to construct, secure, or improve facilities. As of 2018, the Credit Enhancement Program has awarded more than \$418 million through 62 grant awards to 24 public and nonprofit entities, helping leverage approximately \$5.8 billion in financing for 791 charter school facilities.¹⁸⁸ Each dollar of funds guaranteed by the Credit Enhancement program has made \$11.70 in non-profit funding accessible for charter schools.¹⁸⁹

Department of the Treasury and USDA Programs

The U.S. Department of the Treasury administers three programs that can support charter school facilities. The Community Development Financial Institutions (CDFI) Bond Guarantee Program and the Qualified Zone Academy Bond (QZAB) Program each increase the accessibility of bonds for charter school facilities for qualifying schools through eligible financing entities by either guaranteeing bonds or providing them directly to schools. The New Markets Tax Credit Program functions differently than the other two Treasury programs, providing tax credits as an incentive for investment of private capital into low-income areas. Specifically, the program provides incentives to Community Development Entities, which can work as intermediaries in facilities financing for charter schools.¹⁹⁰ Additionally, the Community Facilities Direct Loan and Guaranteed Loan Programs, administered by the USDA, provide support in the form of loans

¹⁸⁸ LISC, n.d.a

¹⁸⁹ LISC, 2019

¹⁹⁰ CDFI Fund, 2018

and loan guarantees for charter schools in rural areas.¹⁹¹ The USDA's Community Facilities programs contributed to over \$850 million in funding to 269 charter schools between 2001 and 2017.¹⁹²

While multiple federal programs support the financing of charter school facilities, charter schools may face barriers to participation and may not take advantage of all available federal financing assistance programs. For example, only around 10% of rural charter schools in the U.S. have financed facilities using the USDA's Community Facilities programs.¹⁹³ A 2018 report estimated that though funds from these programs are eligible for use on charter school facilities, between 34–44% of eligible rural charter schools do not take advantage of the programs.¹⁹⁴ The Credit Enhancement, Bond Guarantee, and New Markets Tax Credit Programs each require charter schools to partner with nonprofit intermediary lending organizations like CDFIs.¹⁹⁵ CDFIs tend to favor lending to schools with academic track records and credit histories, which can be limiting to new and independent charter schools who may lack these. This may produce barriers to participate in these programs, with established CMOs and schools with longer track records seen as more ideal borrowers.¹⁹⁶

Non-Profit Organizations Reducing the Cost of Borrowing

Charter schools often engage in the private market to secure the funding necessary to acquire, renovate, and construct school facilities. For charter operators without high credit ratings, participating in the private real estate and lending market can be very costly.¹⁹⁷ Certain organizations help reduce the cost of borrowing for charter school facilities through federal incentives and community development interests in charter school expansion. Local Initiatives Support Corporation (LISC) has identified 29 nonprofit organizations that provide substantive support and financing services for charter school facilities.¹⁹⁸ These organizations include foundations, financing organizations, and real estate developers that provided \$2.1 billion in assistance to charter schools between 1998 and 2014 through a wide range of supports including loans, guarantees, and real estate investment.¹⁹⁹

These supports allow charter schools greater access to borrowing from non-governmental entities and decrease the cost of such borrowing by reducing the risk of lending to charter schools. Non-profit foundations and CDFIs expand access to financing by providing low-interest rate lending to help charter schools leverage additional financing.²⁰⁰ For example, the Walton Family Foundation's Equitable Facilities Fund provides charter schools bonds that allow for low-cost, long term financing to renovate, expand,

¹⁹¹ USDA, n.d.; USDA, 2019

¹⁹² LISC, 2017

¹⁹³ Charter School Facility Center, 2020b

¹⁹⁴ Medler et al., 2018

¹⁹⁵ Community Development Financial Institutions (CDFIs) are banks, credit unions, loan funds, microloan funds, or venture capital providers that focus on lending and business development efforts in low income communities. See [The CDFI Fund](#) for more information.

¹⁹⁶ National Alliance, 2018

¹⁹⁷ Baker & Miron, 2015

¹⁹⁸ Find a full list of organizations from the [Local Initiatives Support Corporation](#).

¹⁹⁹ LISC, 2014

²⁰⁰ LISC, n.d.b

and construct facilities.²⁰¹ The Bill and Melinda Gates Foundation has provided loan and bond guarantees for charter facility financing, which ensures the lender that the foundation will assume debt if the charter school defaults.²⁰² LISC and Capital Impact Partners are CDFIs that offer low-interest and interest-free loans as well as financial resources and capacity building to help charter schools navigate the facilities financing process from start to finish.²⁰³ According to the 2014 LISC report on the charter facility finance landscape, the 29 nonprofit organizations providing substantive financing to charter schools tended to provide lending support to schools deemed as “riskier,” including those in earlier years of operation or with little collateral. Yet, only a small portion of this lending has resulted in default: of the \$2.1 billion financed, charter schools have defaulted in 41 instances, with actual losses of only 0.5% of the total financed.²⁰⁴

Many non-profit lending programs take advantage of federal funding to provide financial support and absorb some of the risk of lending to charter schools. More than half of the 29 organizations identified by LISC’s 2014 report were recipients of the Department of Education’s Credit Enhancement Program and 18 were involved in the Treasury Department’s New Market Tax Credit Program (NMTC).²⁰⁵

²⁰¹ See the [Walton Family Foundation](#) for more information.

²⁰² LISC, 2014

²⁰³ See the [Local Initiatives Support Corporation](#) for more information.

²⁰⁴ LISC, 2014

²⁰⁵ LISC, 2014

Discussion

In this review, we explored public school facilities, the unique nature of charter schools' access to quality school facilities and facilities funding and financing, and how that varies across contexts. In understanding the charter school facilities sector in relation to the U.S. public school system and with regard to charter access to facilities and charter facility funding and financing, we identified four key findings relevant to the state of the charter facilities sector. In this section we will discuss these findings and gaps in research identified. See Figure 12 at the end of the section for a list of potential areas for further research.

The average U.S. public school building is aged and in need of maintenance, and low-income and students of color are disproportionately likely to attend schools in underfunded and poor-quality facilities.

Disparities in facilities funding and conditions within the charter sector have yet to be studied as deeply as those among traditional public school districts. Traditional school districts heavily rely on local funding to pay facilities costs, which drives disparities between districts.²⁰⁶ Charter school funding models are different, though still rely on local funding in most cases.²⁰⁷ There is evidence that some state per pupil funding designs include additional revenues for charter schools serving low income students. A charter facilities aid program in at least one state is specifically geared towards charter schools in low income communities. Additional research is needed to identify the effectiveness of state funding designs in reducing funding and facilities disparities driven by local revenues in the charter sector.²⁰⁸

The amount of philanthropic funding charter schools receive varies greatly and CMOs tend to attract more philanthropic funding than independent schools.²⁰⁹ Disparities in the ability to raise philanthropic funding across types of communities served is less established, with a few older studies identifying that schools serving predominantly low income and students of color faced additional challenges in raising revenues from philanthropic sources compared to higher income and predominantly White communities.²¹⁰ Yet, while there may be disparities in philanthropic funding across charter schools, the link between philanthropic funding and facilities spending is not well established.

Another consideration is whether charter schools serving low income or students of color face additional barriers to obtaining financing for facilities. Many charter financing programs work through CDFIs, which are entities geared towards investing in low income communities, and directly incentivize lending to charter schools serving low income communities.²¹¹ While some research indicates that the non-profit organizations involved in charter lending work with schools deemed as “riskier” borrowers, research has yet to quantify what the national landscape looks like in terms of how this support varies across race or income of communities served.²¹² Finally, as charter schools have a degree of autonomy in how they

²⁰⁶ Filardo, 2016

²⁰⁷ Shen & Berger, 2011

²⁰⁸ ECS, 2018; Shen & Berger, 2011

²⁰⁹ Baker & Ferris, 2011; Baker, Libby, & Wiley, 2012

²¹⁰ Miron et al., 2007; Miron & Urschel, 2010

²¹¹ These include the CE Program, the CDFI Bond Program, the New Market Tax Credit Program, the QZAB Program and the Community Facilities Programs.

²¹² LISC, 2014; National Alliance, 2018

spend their funding, they often make tradeoffs between spending on instruction, staff, administrative services, and facilities.²¹³ This may also impact investment in facilities if schools prioritize spending in different ways to serve communities with different needs. Further research is needed to quantify how these considerations play out in income and racial disparities in facilities investment and conditions, as they exist in the greater public school sector as a whole.

Access to facilities may be influencing the charter school pipeline and amount of public funds spent on charter facilities.

Locating and preparing proper facilities is one of the primary reasons charter schools delay opening, according to charter support organizations.²¹⁴ Challenges like the availability of facilities suitable for the needs of a charter school, facilities costs, and renovations or repairs needed to ensure that code requirements are met can delay and even halt the process of starting a school. Additionally, charter schools may go without access to full preparatory kitchens, gymnasiums, and specialized classrooms for art, science, or music.²¹⁵ Lack of access to these amenities means that charter schools must either pay and spend time renovating charter facilities to better suit the needs of students or go without important features relevant to the school's programming. In order to ensure that facilities-related barriers are not preventing the expansion of the pipeline of high quality charter schools in the United States, charter stakeholders must consider supports to target charter schools' access to facilities, specifically with regard to increasing access to facilities suitable to charter school programming and student needs.

The means by which charter schools access facilities, in terms of the type of entity that owns a charter school's facility, has implications for the amount of funds spent on facilities. Schools renting from private entities spend the most in lease payments for facilities, which increases spending from a school's operating funds, and thus, public funding spent on facilities.²¹⁶ While 22 states and the District of Columbia have laws to expand charter schools' access to public facilities, some studies have noted that charter schools face barriers to participation in these programs.²¹⁷ Further, additional research is needed on facilities access programs like co-location and facility incubators in determining their sustainability and cost-effectiveness. Creating avenues for charter schools to access facilities from lower cost sources, public or non-profit, would allow for public funding to be spent more efficiently, towards other aspects of the school including teachers' salaries, student services, and other operational work.

Though states have created various funding and financing programs to offset the cost of charter school facilities, many are not currently funded.

Of the 45 states with charter school laws, a total of 15 states have no policies in place to provide additional facilities support to charter schools and programs in 12 states were not funded as of 2019.²¹⁸ Additionally, some research identifies that state per pupil facilities funding and grant programs fall short of the funding necessary to cover facilities costs for schools.²¹⁹ Schools may also experience barriers to participating in

²¹³ Baker & Miron, 2015

²¹⁴ CCSA, 2016; MAPCS, n.d.; MN Comeback, 2018; and MCPSA, 2018

²¹⁵ CSFI, 2013

²¹⁶ CSFI, 2013

²¹⁷ Gill & Maas, 2017; Squire, Robson, & Smarick, 2014

²¹⁸ Charter School Facility Center, 2019; Charter School Facility Center, 2020a

²¹⁹ CSFI, 2013b; CSFI, 2017

these programs. Charter schools in Rhode Island, for example, found the timing of the application process a logistical barrier to participation in the state’s capital reimbursement program.²²⁰ It remains unclear if this limited state-level facilities funding leads to underfunding of charter school facilities or if charter schools are able to obtain the funding necessary to acquire and maintain quality facilities through general per pupil funding, borrowing, or from other non-public sources. Systematic underfunding at the state level could lead to poor facilities conditions for charter schools, which serve higher proportions of educationally disadvantaged students than traditional public schools, though additional research is needed to quantify this. Impacts to facilities conditions, student achievement, or charter school operations as a result of funding facilities through general per pupil funding, financing channels, or funds from non-public sources have yet to be explored.

Programs providing credit enhancement to charter schools offer low-cost and highly effective means of expanding affordable financing options for charter schools.

It is well documented that charter schools face barriers to obtaining low-cost financing to pay for facilities.²²¹ Credit enhancement programs substantially improve credit ratings available to charter schools, who often do not benefit from publicly-backed borrowing otherwise.²²² This brings about two benefits: 1) reducing the cost of borrowing and 2) facilitating or increasing access to facilities, which touch on solutions to key challenges in the charter sector. Reducing the cost of charter borrowing allows for public funds to be spent towards other capital and operational needs in schools. Increasing access to facilities helps remove barriers to the charter pipeline. Credit enhancement programs exist on the federal and state-level²²³ as well as through CDFIs. State-level programs tend to come with eligibility requirements. For example, some programs require schools to be in good academic, operational, and financial standing to be eligible, and others require schools to have already achieved investment-grade credit ratings independently.^{224, 225} In contrast, a study of non-profit lenders found that organizations involved in charter lending tended to support earlier stage schools or those with limited assets at the time of lending.²²⁶ The restrictiveness of state programs compared to non-profit investment in schools deemed as “riskier” poses areas for further research including around the barriers schools face to participation in some form of credit enhancement, the effectiveness of credit enhancement in the non-profit space compared to the governmental space, and whether increasing access to state programs could support the charter sector, while maintaining their low-cost and effectiveness.

²²⁰ CSFI, 2013c

²²¹ Baker & Miron, 2015; LISC, 2015; NACSA & LISC, 2015

²²² Berry, 2015

²²³ Programs exist in Arizona, Colorado, District of Columbia, Utah, & Texas, each with certain restrictions.

²²⁴ [Arizona](#), [Utah](#), & [Idaho](#)

²²⁵ [Colorado](#) & [Texas](#)

²²⁶ LISC, 2014

Figure 12: Areas for Further Research

Topic Area	Potential Areas for Further Research
Equity in Facilities Funding and Quality of Facilities	<ul style="list-style-type: none"> • Equity in facilities funding and conditions within the charter sector, particularly across race or income of communities served. • The effectiveness of state charter funding designs in reducing funding and facilities disparities driven by local revenues. • Equity in charter schools’ ability to raise philanthropic funding across types of communities served. • The link between philanthropic funding and facilities spending. • Barriers to obtaining financing for facilities, particularly for charter schools serving low income students or students of color.
The Charter School Pipeline	<ul style="list-style-type: none"> • How the accessibility of facilities for charter schools impacts the charter school pipeline. • The sustainability and cost-effectiveness of facilities access programs like co-location and facility incubators.
State Facilities Funding Channels	<ul style="list-style-type: none"> • The sufficiency of the current, available funding streams accessed by charter schools to acquire and maintain quality facilities in light of limited state-level facilities funding.
Credit Enhancement Programs	<ul style="list-style-type: none"> • The barriers charter schools face to participation in some form of credit enhancement. • The effectiveness of credit enhancement in the non-profit space compared to the governmental space. • How state credit enhancement programs can increase charter school access while maintaining their low-cost and effectiveness.

Appendix A: Methods

This review intends to identify the scope of extant research on charter school facilities. We included relevant literature regardless of study design and, during the review process, developed a framework for this paper to present a narrative account of what we learned about the topic. Sources cited in this review are predominantly publicly accessible reports from non-profit organizations relevant to the charter field and publicly available peer-reviewed journal articles. One reason we focused on publicly available data and reporting is because this is the information most likely available to the stakeholders making facilities decisions in the charter school world, and we wanted to understand the knowledge and resources available to this sector and the places where additional resources may be needed.

The identification of publications was an iterative process which we categorize in three phases. In the first phase, we used the key words “charter school,” “charter school facilities,” and “charter facilities financing” to identify scholarly articles from JSTOR, publications from a list of non-governmental organizations, and documents from federal and state agencies from Google Scholar.²²⁷ We reviewed these articles in NVivo, a qualitative data analytic software, coded themes of each article, and grouped these themes by topical domains. Based on the domains, we identified key issues and developed an outline to further explore these issues. We started the second phase of our search as we delved into specific issue topics. In the second phase, we used the same search engines to identify publications, but with search terms more specific to our topics. For example, when describing facility issues in public schools, we used the broader term “school facility” and “school facilities” to retrieve as many relevant publications as possible. We largely limited our search to publications between 2010 and 2020 to focus on reporting in the most recent decade. We cited a few older resources to provide historical perspectives on certain topics.

We had an internal content review to identify gaps in topic coverage and accuracy in reporting. We then invited four charter school experts on the Facility Expert Panel for the National Charter School Resource Center to review and revise the draft. Staff from the Charter School Programs office in the U.S. Department of Education also provided feedback and input to the paper.

Limitations

One limitation we recognize is that our review was dominated by publications from organizations who are proponents of charter schools. It is understandable that these organizations have focused on charter schools over time and naturally have better access to charter schools and their data. While we are careful about citing factual information from reports and publications in this review, it is likely we are guided more by literature that promotes charter schools. We hope that this review promotes additional research in this sector and will lead to accessible data about charter school facilities and operation to better inform public policy decisions.

²²⁷ JSTOR is a digital library of academic journals, books, and primary sources.

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Appendix C: State Findings From CSFI School Facilities Reports

Figure 13: Table of State Findings from CSFI School Facilities Reports

State	Date of data collection	Percent of school facilities built before 1970	Percent constructed as schools	Percent of facilities that have undergone major capital projects (>\$20,000)	Percent of schools with some modular or temporary buildings	Percent without access to a full preparatory kitchen	Percent without a dedicated gym space
Arkansas ²²⁸	2012 – 2013 school year	42%	47%	79%	26%	68%	63%
California ²²⁹	2013 – 2014 school year	46%	67%	34%	43%	76%	60%
Colorado ²³⁰	2016 – 2017 school year	21%	67%	61%	17%	55%	75%
Delaware ²³¹	2015 – 2016 school year	25%	54%	N/A	4%	71%	N/A
Louisiana ²³²	2017 – 2018 school year	N/A	N/A	57%	N/A	24%	39%
New Hampshire ²³³	2016 – 2017 school year	46%	25%	33%	8%	96%	8%
Ohio ²³⁴	2014 – 2015 school year	64%	47%	30%	13%	76%	28%
Oklahoma ²³⁵	2017 – 2018 school year	N/A	N/A	55%	N/A	26%	25%

²²⁸ [An Analysis of the Charter School Facility Landscape in Arkansas](#)

²²⁹ [An Analysis of the Charter School Facility Landscape in California](#)

²³⁰ [An Analysis of the Charter School Facility Landscape in Colorado](#)

²³¹ [An Analysis of the Charter School Facility Landscape in Delaware](#)

²³² [An Analysis of the Charter School Facility Landscape in Louisiana](#)

²³³ [An Analysis of the Charter School Facility Landscape in New Hampshire](#)

²³⁴ [An Analysis of the Charter School Facility Landscape in Ohio](#)

²³⁵ [An Analysis of the Charter School Facility Landscape in Oklahoma](#)

Appendix D: Facilities Support by State

Figure 14: Facilities Support by State

State	Type of Program Offered
Alabama	Grants available to traditional public schools
Alaska	<ul style="list-style-type: none"> Grants available to traditional public schools Local property tax dollars
Arizona	<ul style="list-style-type: none"> Per pupil facilities funding Facility grant program (not funded)
Arkansas	<ul style="list-style-type: none"> Per pupil facilities funding Facility grant program Facility loan program (not funded)
California	<ul style="list-style-type: none"> Per pupil facilities funding Facility grant program Facility loan program
Colorado	<ul style="list-style-type: none"> Per pupil facilities funding Facility loan program Grants available to traditional public schools Local property tax dollars
Connecticut	<ul style="list-style-type: none"> Facility grant program Facility loan program
District of Columbia	<ul style="list-style-type: none"> Per pupil facilities funding Facility grant program Facility loan program
Delaware	<ul style="list-style-type: none"> Facility grant program (not funded) Grants to traditional public schools
Florida	<ul style="list-style-type: none"> Per pupil facilities funding Local property tax dollars
Georgia	<ul style="list-style-type: none"> Per pupil facilities funding Facility grant program
Hawaii	No program.
Idaho	Per pupil facilities funding
Illinois	Facility loan program
Indiana	<ul style="list-style-type: none"> Per pupil facilities funding Facility grant program Facility loan program
Iowa	No program.
Kansas	No program.
Kentucky	No program.
Louisiana	Facility loan program (not funded)
Maine	No program.
Maryland	No program.

State	Type of Program Offered
Massachusetts	Per pupil facilities funding
Michigan	
Minnesota	<ul style="list-style-type: none"> • Per pupil facilities funding • Grants available to traditional public schools
Mississippi	No program.
Missouri	No program.
Nevada	Facility loan program
New Hampshire	<ul style="list-style-type: none"> • Facility grant program (not funded) • Grants available to traditional public schools
New Mexico	<ul style="list-style-type: none"> • Per pupil facilities funding • Facility grant program (not funded) • Grants available to traditional public schools • Local property tax dollars
New York	<ul style="list-style-type: none"> • Per pupil facilities funding • Facility grant program
North Carolina	No program.
Ohio	<ul style="list-style-type: none"> • Per pupil facilities funding • Facility grant program • Facility loan program (not funded)
Oklahoma	<ul style="list-style-type: none"> • Facility grant program (not funded) • Grants available to traditional public schools
Oregon	No program.
Pennsylvania	<ul style="list-style-type: none"> • Per pupil facilities funding • Facility grant program (not funded)
Rhode Island	<ul style="list-style-type: none"> • Grants available to traditional public schools • Facility loan program (not funded)
South Carolina	Facility loan program
Tennessee	<ul style="list-style-type: none"> • Per pupil facilities funding • Facility grant program • Facility loan program
Texas	Per pupil facilities funding
Utah	<ul style="list-style-type: none"> • Per pupil facilities funding • Facility loan program
Virginia	No program.
Washington	Grants available to traditional public schools
Wisconsin	No program.
Wyoming	Grants available to traditional public schools
West Virginia	No program.

Note: Adapted from Charter School Facility Center, 2019