K-12 Education: Challenges Locating and Securing Charter School Facilities and Government Assistance

Briefing to the Republican Leader, House Committee on Education and Labor

Accessible Version

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Introduction

- Charter schools are public schools established under charters, typically with state or local entities. In return for more flexibility and autonomy, charter schools must meet specific accountability standards.
- The Department of Education has programs, as do many states, to assist charter schools in financing or securing facilities. Nevertheless, charter schools' ability to locate and fund facilities has been a longstanding concern among stakeholders, such as researchers and advocacy groups.

Objectives

You asked us to examine the extent to which charter schools had access to public facilities and the costs associated with such access. This report examines:

1. challenges faced by charter schools in locating and securing facilities, and
2. select programs available to help charter schools address challenges when locating and securing facilities.

Methodology

To answer our objectives, we:

- held individual and group interviews with state, school district, and charter school officials in California and Colorado. We selected these states to represent a variety of programs as well as charter schools in urban and rural areas, among other factors;
- interviewed federal Education officials, nonprofit lenders, and other stakeholders;[1] and
- reviewed agency documents and federal and state laws, regulations, and policies.

Our findings highlight a range of challenges facing charter schools in obtaining facilities. They are not generalizable to all states, school districts, or charter schools.

[1]Definition of terms: 1) nonprofit lenders are organizations that provide affordable loans to assist charter schools with purchasing, building, and renovating school facilities; 2) stakeholders include individuals or organizations that are knowledgeable about charter school facility issues, such as charter school advocacy groups.

Background: Charter School Growth and Students Served

From school years 2002-2003 (our last report on the topic) to 2018-2019 (the most recent national data available):

- The number of charter schools increased from about 2,700 to 7,400 (about 175 percent increase);
- Charter school enrollment increased from about 700,000 students to about 3.3 million students (about 370 percent increase).[2,3]

As of March 2021, every state and the District of Columbia had charter school laws, except for Montana, Nebraska, North Dakota, South Dakota, and Vermont, as confirmed by Education.

[2]GAO, *Charter Schools: New Charter Schools across the Country and in the District of Columbia Face Similar Start-Up Challenges*, GAO-03-899 (Washington, D.C.: Sept. 3, 2003).

[3]Department of Education, National Center for Education Statistics, *Digest of Education Statistics, Chapter 2, Table 216.90*. Washington, D.C.: 2021.

Background: Charter School Management

- Charter school management can range from an independent organization running a single school to a large charter management organization (CMO) overseeing hundreds of schools across multiple states.
- Among their responsibilities, charter school officials often have to locate, secure, finance, and maintain school facilities.

Background: Charter School Facility Funding

- As with all public schools, states provide most funding for charter school facilities, though the federal government offers some funding, as well as information and resources.
- Many states have programs to help charter schools locate and secure facilities, including:[4]
  - Per-pupil allowances, which provide extra funds to help cover facility expenses
  - Grant, bond, and loan programs to help finance things like construction, acquiring land, and renovations
  - Use of public facilities, for example, co-locating with traditional public schools or using separate, district-owned buildings

[4]We are using the term program to generally include programs as well as state policies affecting the acquisition or financing of charter school facilities. Programs may differ substantively among states and so there may be some overlap among program categories.

OBJECTIVE 1

CHALLENGES LOCATING AND SECURING CHARTER SCHOOL FACILITIES

Objective 1: Overview of Challenges

- Almost all state, school district, and charter school officials, nonprofit lenders, and other stakeholders with whom we spoke described similar challenges locating and securing facilities, which are outlined in the slides that follow.[5]

- Some of these challenges were previously identified in our 2000 and 2003 reports, while others were newly reported.[6]

[5]Attribution to all or most of these officials, nonprofit lenders, and other stakeholders should be assumed for the categories of challenges mentioned in the following slides unless otherwise noted.

[6]GAO, *Charter Schools: Limited Access to Facility Financing*, GAO/HEHS-00-163 (Washington, D.C.: Sept. 12, 2000); and GAO-03-899.

Objective 1: Challenges

- Affordability
- Availability
- Lack of consistent local support
- Capacity to manage facilities

Objective 1: Affordability

Limited access to government funding and affordable private loans. Charter schools may have limited access to state and local funding, and often face difficulties acquiring affordable private loans because they lack credit or collateral. For example,

- A California charter school official told us it would cost $3 million to expand to serve 150 more students, but the school could not access the funds to finance the expansion because it did not have enough students.

- Another California charter school official said limited funding sources exist for long-term facility financing, and while financing for charter schools is available, the interest rates resulted in unaffordable loans.

Objective 1: Affordability

Rising real estate costs and renovation expenses. The cost of land or new buildings, as well as labor and construction, can make it difficult for charter schools to obtain and renovate facilities. For example,

- A California charter school official said it took 5 years to find an affordable facility because limited options were available. A Colorado charter school official explained that during the time spent searching for a facility, the price per square foot doubled.
- A California charter school official explained that making buildings compliant with current building codes is costly. Similarly, another California charter school official told us its middle school is located in a church and it spent $500,000 to install modular school buildings, update its HVAC system, and address some accessibility issues.

Objective 1: Availability

Lack of amenities or safe and secure building space. Charter schools may struggle with suitable facility space and amenities, such as a cafeteria and playground. For example,

- One California charter school official said its school has limited outdoor space, so students use a city park across the street for physical education.

- One Colorado charter school official told us staff have had to chase bears from outside of their modular classrooms. This official also said their previous charter school shared the first floor of an office building with an accounting firm.

Objective 1: Availability

Securing available public or private buildings. School districts may not have surplus facilities to offer to charter schools, and few private buildings are located in residential neighborhoods that could conveniently serve a community. For example,

- One Colorado charter school official said the district will not allocate space for the school's expansion to serve more grade levels. As a result, this charter school is moving to a private facility.

- Another Colorado charter school official told us that while suitable private buildings, such as empty office buildings, were available, those that also allowed for safe outdoor space and traffic flow were limited.

Objective 1: Lack of Consistent Local Support

Inconsistent assistance for charter school facilities' needs. Charter schools may not consistently receive the support they need from local governments and school districts during the planning or renovation process. For example,

- One California charter school official explained that the local government treated its school similarly to commercial entities during the facility planning process, requiring the school to pay for sidewalks and traffic lights.
- One Colorado charter school official said unless the facility's condition was actively dangerous, the school district did not prioritize renovations for charter schools in district-owned facilities. Specifically, this official said bathrooms at some of their schools have been flooding for years.

Objective 1: Capacity to Manage Facilities

Limited expertise in facilities management. Charter school leaders are typically educators, and may not have dedicated support to manage their school's facility, adding to their many responsibilities. For example,

- One California charter school official described managing three separate construction projects, with no prior experience. Another charter school official had to learn to repair a boiler.
- A California charter school official told us so much time was dedicated to securing and maintaining a facility, that it limited their capacity to provide leadership on instruction and operations.

OBJECTIVE 2

STATE, LOCAL, AND FEDERAL PROGRAMS TO SUPPORT CHARTER SCHOOL FACILITY CHALLENGES

Objective 2: State and Local Charter School Facility Programs

The Education Commission of the States reported in January 2020 that almost all states that allow charter schools have at least one state facilities program.[7]

The National Alliance for Public Charter Schools reported in 2019 on specific types of facility programs in selected states.[8]

- For example, according to the National Alliance report, 18 states had per-pupil facility allowances, and 4 states allowed charter schools to use local property tax dollars for facilities.

[7]Education Commission of the States, "Charter Schools: What kind of facilities funding is available to charter schools?," *50-State Comparison: Charter School Policies*, accessed April 12, 2021, https://reports.ecs.org/comparisons/charter-school-policies-20. We did not independently verify all of the information in this document.

[8]Charter School Facility Center at the National Alliance for Public Charter Schools, *State Policy Snapshot: Facilities Funding for Public Charter Schools* (Washington, D.C.: 2019). We did not independently verify all of the information in this report.

Objective 2: State and Local Programs

Our two selected states, California and Colorado, have many facility programs:

- Per-pupil facility allowances,[9]
- Grants,
- Local bond measures,[10] and
- Use of a school district facility.

Interviewees told us these programs help charter schools secure facilities, but may provide limited assistance with funding or building space.

[9]California used the funding it received under the federal Charter School Facilities Incentive Grants program to distribute per-pupil funding to select charter schools. California did not receive this funding in 2019 when Education most recently awarded this grant.

[10]We found that some school districts do include charter schools in local bond measures and others do not.

Objective 2: Per-Pupil Facility Allowance

Per-pupil allowances in California and Colorado help pay for various facility costs, but may not cover all needs. For example,

- All Colorado charter school officials said these funds do not cover total facility costs.
- One Colorado charter school official said they use their funds toward rent to the school district, but if they wanted to use them to support a renovation project, the school would need to save and combine facility allowances from multiple years.

Objective 2: Grant Programs

Many charter schools can apply for state competitive grants in California and Colorado to pay for rent and leases on private facilities, for new construction, or for renovations to existing facilities.

- Grant funds may help offset the cost of a charter school's leased private facility; one California charter school official said without the funds, it would probably be bankrupt.

- One Colorado charter school official explained grant funds covered approximately 75 percent of the cost of a new 40,000-square-foot building and that without the funds the school may have closed within four years.

Objective 2: Local Bond Measures

School districts can choose to include charter schools in bond measures that raise funds for facilities, according to California and Colorado school district officials.

- One Colorado charter school official said that a school district bond measure passed in 2020 provided $2.5 million to the school, which will help pay for its new building.
- In contrast, a California charter school official told us its school district chose to exclude charter schools from a $50 million bond measure.

Objective 2: Use of Public School District Facilities

Most California and Colorado independent charter school and CMO officials we spoke with said they are located in school district facilities.

- One California charter school official said that since 2013, the school has used the state's co-location program, which has helped to limit its facility expenses.[11]

However, a few officials said not all school districts make facilities available.

- One Colorado charter school official said it did not expand its middle school programs because the school district would not provide a facility, although according to this official, one was available. A stakeholder explained that sometimes school districts will designate a facility as swing space or to house documents instead of making the space available to charter schools.

[11]California state law requires that school districts provide charter school students with "reasonably equivalent" facilities to those of traditional public schools. School districts can charge charter schools for using their facilities. Cal. Educ. Code § 47614(b) (2021).

Objective 2: Federal Programs

- Federal agencies, such as Education and the U.S. Department of Agriculture, provide grants and loans to help charter schools acquire facilities. Education also shares information and other resources.

- The Department of the Treasury's New Markets Tax Credit Program supports tax credits to private investors who finance qualified low-income community businesses, including charter schools.[12] One nonprofit lender said it has made $128 million in New Markets Tax Credit allocations to charter schools since 1997.

[12]We did not review this program as part of our study, but a few interviewees told us it can help charter schools with facilities.

Objective 2: Department of Education

Education has two facilities-focused competitive grants:

- Credit Enhancement for Charter School Facilities Program, and
- State Charter School Facilities Incentive Grants

Objective 2: Credit Enhancement for Charter School Facilities Program

From fiscal years 2009 to 2020, the most recent data available, Education awarded almost $293 million to organizations, such as state agencies and nonprofit entities, under the Credit Enhancement Program.

- This program enhances charter schools' credit so they can acquire, construct, and renovate facilities. One grantee, a nonprofit lender, said grantees cannot make direct loans with these funds but can use them to cover any incurred losses.

Objective 2: State Charter School Facilities Incentive Grants

From fiscal years 2009 to 2020, the most recent data available, Education awarded approximately $123.5 million to state agencies that provide charter schools with supplemental funds as part of a state's per-pupil facility allowance.

- California state officials, for example, said they used the funds to award 3-year grants, which were provided to high-performing charter schools to help offset facilities costs, such as rents or leases, mortgages, acquisition, construction, or renovations.

Objective 2: National Charter School Resource Center

Education's National Charter School Resource Center provides information and resources to charter schools, including:

- A report with a section on governmental and non-governmental funding sources, including state programs, foundations, and philanthropic individuals or groups.[13]

- A webinar on how organizations have worked to address financing challenges relating to Coronavirus Disease 2019 and racial inequality in public education.[14]

[13]National Charter School Resource Center, *A Synthesis of Research on Charter School Facilities* (Bethesda, MD: October 2020).
[14]This webinar is entitled "From Pandemic to Equity for All: How CE Grantees are Responding to Emerging Challenges in Charter School Financing", accessed May 5, 2021, https://charterschoolcenter.ed.gov/webinar/pandemic-equity-all-how-ce-grantees-are-responding-emerging-challenges-charter-school.

Objective 2: USDA Rural Development

USDA's Community Facilities Direct Loan and Grant Program awards grants and loans to rural community-based nonprofit organizations, which includes charter schools.

- One California charter school official said that this low-interest rate loan program will allow the school to pay the same amount for a 14,000-square-foot building as it pays for three smaller school sites.

- However, one Colorado charter school official told us that it took almost two years to prepare to apply for a loan because of the requirements; in the end, the official said they stopped applying because the process became too onerous.