441 G St. N.W.
Washington, DC 20548

September 27, 2021

The Honorable Virginia Foxx
Republican Leader
Committee on Education and Labor
United States House of Representatives

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

Accessible Version

This letter formally transmits the attached briefing on charter school facilities. 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. We provided a briefing to your staff on August 2, 2021, in response to your request for this review. (See enclosure I.) Our briefing described 1) the challenges charter schools face when attempting to locate and secure facilities, and 2) select programs available to help charter schools address challenges when locating and securing facilities.

To answer these questions, we conducted individual and group interviews with state, school district, and charter school officials in California and Colorado. We also interviewed Department of Education officials, representatives of nonprofit organizations that provide financing to charter schools, and other stakeholders. We selected California and Colorado based on the variety of programs as well as the existence of charter schools in urban and rural areas, among other factors. In our interviews, we asked about the challenges charter schools face locating and securing building space (facilities)—such as availability and appropriateness of space and financial requirements—and about select programs that help charter schools locate and secure facilities. Lastly, we reviewed agency documents, such as guidance documents on Education's two facilities-focused grant programs, and relevant federal and state laws, regulations, and policies.

Our findings are not generalizable to all states, school districts, and charter schools. However, some of the challenges described are consistent with our 2000 and 2003 reports on challenges charter schools face when locating and securing facilities. For example, affording the purchase or lease of a school facility, finding available space to house a charter school, and ensuring that the space is suitable for students and staff.[1] In this review, we also heard about challenges not previously reported, such as a lack of consistent support from local government and school districts for charter schools' facility needs. While challenges locating and securing facilities continue to persist, many states, including those covered by our review, have implemented programs that may help charter schools address them. (See enclosure II.) For example, a 2019 report published by the National Alliance for Public Charter Schools noted that 18 states had

[1]GAO, *Charter Schools: Limited Access to Facility Financing*, GAO/HEHS-00-163 (Washington, D.C.: Sept. 12, 2000); and *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). These reports covered twelve states and the District of Columbia.

per-pupil facility allowances that can be used to help cover some facilities expenses for charter schools.[2]

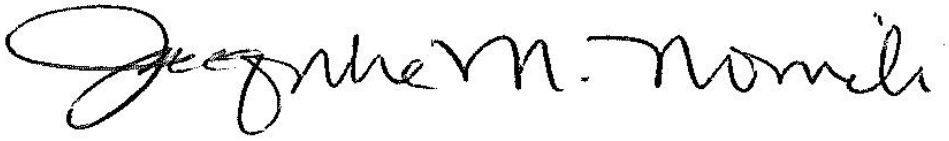
We conducted this performance audit from July 2020 to September 2021 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Agency Comments

We provided a draft of this report to the Department of Education for review and comment. The Department of Education provided technical comments, which we incorporated as appropriate.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the appropriate congressional committees, Secretary of Education, and other interested parties. In addition, the report will be available at no charge on the GAO website at https://www.gao.gov. If you or your staff have any questions concerning this report, please contact me at (617) 788-0580 or nowickij@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Janet Mascia (Assistant Director), Robin Marion (Analyst in Charge), Cynthia Nelson, Jean McSween, and James Rebbe. Also contributing to this report were Susan Aschoff, Keith Cunningham, Nisha Hazra, Pat Little, James McTigue, Jr., Jill Naamane, Mimi Nguyen, Marylynn Sergent, Almeta Spencer, and Adam Wendel.

Sincerely,



Jacqueline M. Nowicki
Director, Education, Workforce, and Income Security

Enclosures – I and II

cc: cc list

[2]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).

Enclosure II: Information on Programs for Charter School Facilities in Selected States and the Department of Education

This enclosure's tables describe programs that assist K-12 charter schools with facilities funding in California and Colorado–the states we focused on for this review.[3] Four of the California programs in this enclosure are state funded and one is partially federally funded; the Colorado programs listed are state funded. The tables include information for California and Colorado on the number of charter schools receiving awards, and the amount appropriated or awarded in each of the fiscal years 2018-2020. It also includes information on the Department of Education's facility-focused competitive grant programs, with award amounts from fiscal years 2009-2020.

California

Table 1: State Charter School Facilities Incentive Grants Program in California, Fiscal Years 2018-2020

Category	Category Information
What it does	**Assists high-performing charter schools by providing 3-year grants to offset ongoing facilities costs, and for facilities' acquisition, construction, and renovations[a]**
Who is eligible	Charter schools that have been awarded a charter and are in good standing with the state's chartering authority, have completed at least 1 year of instruction, and have nonprofit status, among other requirements
Number of charter schools receiving funds by fiscal year	2018: 21
Number of charter schools receiving funds by fiscal year	2019: 26
Number of charter schools receiving funds by fiscal year	2020: 20[c]
Total amount awarded by fiscal year[b]	**2018: $3,497,000**
Total amount awarded by fiscal year[b]	**2019: $4,273,735**
Total amount awarded by fiscal year[b]	**2020: $4,367,392[c]**

Source: California state websites, documents, data, and information from state officials. | GAO-21-104446

Note: California's fiscal year begins July 1 and ends June 30.

[a]This is a state program but supplemented by federal funds. California used federal funds it received under the federal State Charter School Facilities Incentive Grants program to assist charter schools in offsetting facilities costs through a per-pupil facility allowance.

[b]The amounts for fiscal years 2018 and 2019 are totals of the individual annual amounts provided to grantees in the first year of funding.

[c]California received a Department of Education State Charter Schools Facilities Incentive Grant in 2014, which awards funds over a 5 year period. The California School Finance Authority reapplied for this grant in 2019, but was not selected for an award. As a result, there was no new funding round in 2020 and remaining program funds were awarded from the 2014 grant for an abbreviated grant period.

[3]We shared relevant information from the tables with state officials for their review, and incorporated their technical comments, as appropriate.

Table 2: Charter School Facility Grant Program (Senate Bill 740 Program) in California, Fiscal Years 2018-2020

Category	Category Information
What it does	**Provides annual grants to charter schools to assist with facilities rent and lease costs**
Who is eligible	Charter schools with 55 percent or more of students receiving free or reduced-price meals, or located in school districts that meet that criteria
Number of charter schools receiving funds by fiscal year	2018: 418
Number of charter schools receiving funds by fiscal year	2019: 418
Number of charter schools receiving funds by fiscal year	2020: 431
Total amount appropriated by fiscal year	**2018: $136,786,000**
Total amount appropriated by fiscal year	**2019: $136,786,000**
Total amount appropriated by fiscal year	**2020: $136,786,000**

Source: California state website, documents, data, and information from state officials. | GAO-21-104446

Note: We asked California officials to provide us with the last 3 fiscal years of data to show how many charter schools participate in this program and the funds appropriated. California's fiscal year begins July 1 and ends June 30.

Table 3: Charter School Facilities Program in California, Fiscal Years 2018-2020

Category	Category Information
What it does[a]	**For new construction projects and rehabilitation of district-owned facilities that are at least 15 years old**
Who is eligible	A financially sound charter school that has provided instruction for at least 2 years, among other requirements[b]
Number of charter schools receiving funds by fiscal year	2018: 4
Number of charter schools receiving funds by fiscal year	2019: 2
Number of charter schools receiving funds by fiscal year	2020: 5
Total amount awarded by fiscal year	**2018: $51,851,056**
Total amount awarded by fiscal year	**2019: $2,966,462**
Total amount awarded by fiscal year	**2020: $29,247,791**

Source: California state website, documents, and data. | GAO-21-104446

Note: We asked California officials to provide us with the last 3 fiscal years of data to show how many charter schools participate in this program and the funds awarded. California's fiscal year begins July 1 and ends June 30.

[a]Charter schools awarded these funds receive 50 percent as a grant; the other half has to be paid back as a long-term lease or lump-sum payment. This program awards funds in three installments–preliminary, advance, and final. Due to how the program awards funds, the data presented is on final awards for fiscal years 2018, 2019, and 2020, and is the minimum amount awarded.

[b]Financially sound means a charter school that has demonstrated for at least 2 years that it has operated as a financially capable entity in California, as measured by criteria established by the California School Finance Authority.

Table 4: Conduit Financing Program, Funding for Charter School Facilities in California, Fiscal Years 2018-2020

Category	Category Information
What it does	**Provides eligible entities access to tax-exempt and other tax-advantaged bonds, loans and notes to finance construction and acquisition costs for new and existing facilities, among other activities**
Who is eligible	School districts, community college districts, county offices of education, and nonprofit borrowers, including charter schools
Number of charter schools receiving funds by fiscal year	2018: 5
Number of charter schools receiving funds by fiscal year	2019: 10
Number of charter schools receiving funds by fiscal year	2020: 16
Total amount issued by calendar year	**2018: $148,240,000**
Total amount issued by calendar year	**2019: $256,595,000**
Total amount issued by calendar year	**2020: $356,330,671**

Source: California state website and documents. | GAO-21-104446

Note: California's fiscal year begins July 1 and ends June 30.

Table 5: Charter School Revolving Loan Fund Program in California, Fiscal Years 2018-2020

Category	Category Information
What it does	**Provides new charter schools with low-cost loans of up to $250,000 that can be used for start-up costs, which can include facilities**
Who is eligible	Charter schools that are within 6 months of opening or charter schools that are currently operating and within their first charter term
Number of charter schools receiving funds by fiscal year	2018: 27
Number of charter schools receiving funds by fiscal year	2019: 38
Number of charter schools receiving funds by fiscal year	2020: 23
Total amount appropriated by fiscal year	**2018: $6,730,000**
Total amount appropriated by fiscal year	**2019: $9,095,000**
Total amount appropriated by fiscal year	**2020: $3,810,000**

Source: California state website, documents, and information from state officials. | GAO-21-104446

Note: We asked California officials to provide us with the last 3 fiscal years of data to show how many charter schools participate in this program and the funds appropriated. California's fiscal year begins July 1 and ends June 30.

Colorado

Table 6: Charter School Capital Construction Program in Colorado, Fiscal Years 2018-2020

Category	Category Information
What it does	**Charter schools receive funding on a per pupil basis to be used for capital construction needs, including construction, demolition, remodeling, maintenance, financing, purchasing, or leasing facilities**
Who is eligible	Charter schools with capital construction needs
Number of charter schools receiving funds by fiscal year	2018: 239
Number of charter schools receiving funds by fiscal year	2019: 241
Number of charter schools receiving funds by fiscal year	2020: 244
Total amount appropriated by fiscal year	**2018: $25,000,000**
Total amount appropriated by fiscal year	**2019: $29,250,000**
Total amount appropriated by fiscal year	**2020: $28,607,917**

Source: Colorado state website, documents, data, and information from state officials. | GAO-21-104446

Note: We asked Colorado officials to provide us with the last 3 fiscal years of data to show how many charter schools participate in this program and the funds appropriated. Colorado's fiscal year begins July 1 and ends June 30.

Table 7: Building Excellent Schools Today (BEST) Grant Program in Colorado, Fiscal Years 2018-2020

Category	Category Information
What it does	**Provides competitive grant funds to school districts, charter schools, and other schools for new construction, general construction, and renovation of existing school facilities**
Who is eligible	Charter schools must be operational for at least 3 years, notify the charter school authorizer, and own or have the right to own the facility
Number of charter schools receiving funds by fiscal year	2018: 3
Number of charter schools receiving funds by fiscal year	2019: 5
Number of charter schools receiving funds by fiscal year	2020: 3
Total amount appropriated by fiscal year	**2018: $1,156,272**
Total amount appropriated by fiscal year	**2019: $35,929,797**
Total amount appropriated by fiscal year	**2020: $1,156,911**

Source: Colorado state website, documents, and data. | GAO-21-104446

Note: We asked Colorado state officials to provide us with the last 3 fiscal years of data to show how many charter schools participate in this program and the funds appropriated. Colorado's fiscal year begins July 1 and ends June 30.

Table 8: Colorado Educational and Cultural Facility Authority's Charter School Funding in Colorado, Fiscal Years 2018-2020

Category	Category Information
What it does	**Issues bonds to educational and cultural institutions, including charter schools, at low interest rates**
Who is eligible	Charter schools that have existed for 3 years and have at least 300 students, although start-up charter schools have received financing
Number of charter schools receiving funds by fiscal year	2018: 7
Number of charter schools receiving funds by fiscal year	2019: 18
Number of charter schools receiving funds by fiscal year	2020: 11
Total amount appropriated by fiscal year	**2018: $82,400,000**
Total amount appropriated by fiscal year	**2019: $350,635,000**
Total amount appropriated by fiscal year	**2020: $152,231,000**

Source: Colorado state website and data. | GAO-21-104446

Note: We asked Colorado officials to provide us with the last 3 fiscal years of data to show how many charter schools participate in this program and the funds appropriated. The Colorado Educational and Cultural Facility Authority's fiscal year begins October 1 and ends September 30.

Selected Department of Education Programs

Table 9: Department of Education Credit Enhancement for Charter School Facilities Program, New and Supplemental Awards, Fiscal Years 2009-2020

Fiscal year	Number of new awards	Funding for new awards	Number of supplemental awards	Funding for supplemental awards	Total funding for awards
FY 2020	4	$44,521,385	1	$10,478,615	**$55,000,000**
FY 2019	5	$43,721,385	1	$5,078,104	**$48,799,489**
FY 2018	4	$39,921,896	0	$0	**$39,921,896**
FY 2017	8	$56,250,000	0	$0	**$56,250,000**
FY 2016	2	$16,000,000	0	$0	**$16,000,000**
FY 2015	2	$13,000,000	1	$1,069,608	**$14,069,608**
FY 2014	2	$11,930,392	0	$0	**$11,930,392**
FY 2013	1	$6,019,231	2	$6,980,769	**$13,000,000**
FY 2012	2	$6,019,231	1	$5,016,605	**$11,035,836**
FY 2011	1	$9,983,395	0	$0	**$9,983,395**
FY 2010	1	$8,300,000	0	$0	**$8,300,000**
FY 2009	1	$8,262,977	0	$0	**$8,262,977**
Total		**$263,929,892**		**$28,623,701**	**$292,553,593**

Source: Department of Education data. | GAO-21-104446

Table 10: Department of Education State Charter School Facilities Incentive Grants, New and Continuation Awards, Fiscal Years 2009-2020

Year awarded	Number of new awards	Funding for new awards	Number of continuation awards	Funding for continuation awards	Total funding for awards
FY 2020	0	$0	1	$5,000,000	**$5,000,000**
FY 2019	1	$6,000,000	0	$0	**$6,000,000**
FY 2018	0	$0	1	$10,000,000	**$10,000,000**
FY 2017	0	$0	1	$10,000,000	**$10,000,000**
FY 2016	0	$0	1	$10,000,000	**$10,000,000**
FY 2015	0	$0	1	$9,000,000	**$9,000,000**
FY 2014	1	$11,000,000	0	$0	**$11,000,000**
FY 2013	0	$0	1	$10,000,000	**$10,000,000**
FY 2012	0	$0	2	$12,000,000	**$12,000,000**
FY 2011	0	$0	2	$13,000,000	**$13,000,000**
FY 2010	0	$0	2	$14,782,000	**$14,782,000**
FY 2009	2	$12,720,749	0	$0	**$12,720,749**
Total		**$29,720,749**		**$93,782,000**	**$123,502,749**

Source: Department of Education data. | GAO-21-104446

(104446)