

State Education Finance Study Commission

Issue Paper: Charter Facilities

Charter Facilities

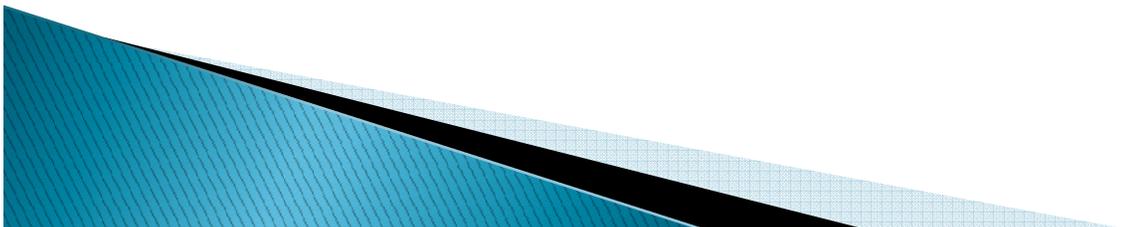
▶ Issue:

- Charter schools have historically had difficulty securing and maintaining adequate facilities.
- This has led some charter schools to use inadequate facilities or facilities that are in far worse condition than other public schools.
- Because many charter schools are not in a traditional school building, they must divert a portion of formula funds they receive for instruction and operations to pay rent.
- It is estimated that charter schools spend \$500 – \$700 per pupil on annual lease/loan payments. Some studies estimate that charter schools spend 12% – 25% of their earnings on facility payments.
- Other charter schools are never able to open their doors after the charter is approved because they are unable to secure a facility.

Charter Facilities

▶ Other States

- 29 states provide some type of assistance for charter facilities
 - Per Pupil Allocation
 - Assistance with Borrowing Funds
 - Encourage systems to make facilities available at no cost or below market value



Charter Facilities, Other States

▶ Per Pupil Allocation

- MA statute based on the statewide per-pupil average expenditure that districts paid in debt service. Currently provide a flat rate due to spike caused by one-time debt payments.
- MN pays 90% of lease cost. Charters must pay other 10% as an incentive for them to find a “reasonably” price space.
- AZ, FL, PA provide differentiated rates based on grade level.
- NM provides per pupil allocation based on square footage of facility.
- Amount of these grants range significantly.



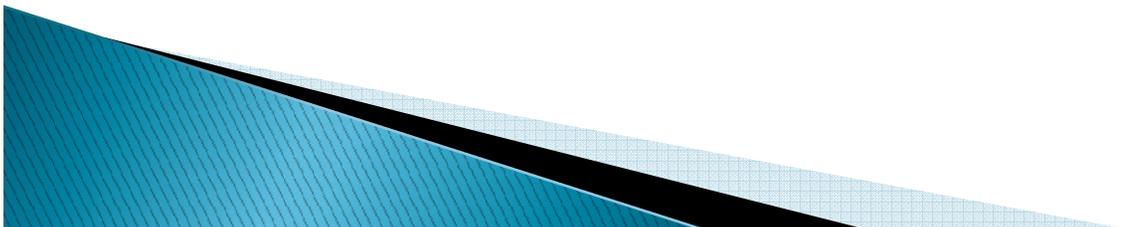
Charter Facilities, Other States

▶ Assistance with Borrowing Funds (Loan and Bonds)

- Charters traditionally have a hard time borrowing funds and are often charged higher interest rates.
- Set up low-cost loan program for charter schools (DC)
- Allow charter schools to sell bonds indirectly (CO, MI, DC, TX)
 - Guarantee repayment by accessing formula funds (MI, CO)
 - Establish debt service reserve fund (MI, TX)
- Allow districts to include charter facilities in bond referendum (CO)
- Use federal bonds
- Helps charters access facilities, but they still must pay for them out of operating funds.

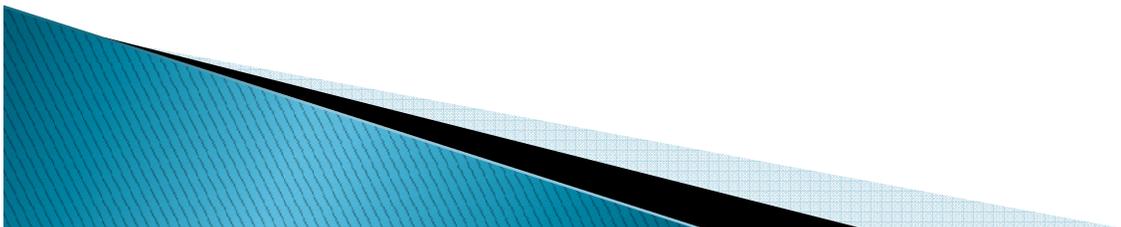
Charter Facilities, Other States

- ▶ Encourage systems to make facilities available at no cost or below market value
 - ▶ Several states with charter laws mandate or encourage school systems to make facilities available.
 - ▶ Does not help a school where there is no space available.
 - ▶ Who is responsible for renovating or maintaining facility and with what source of funding?

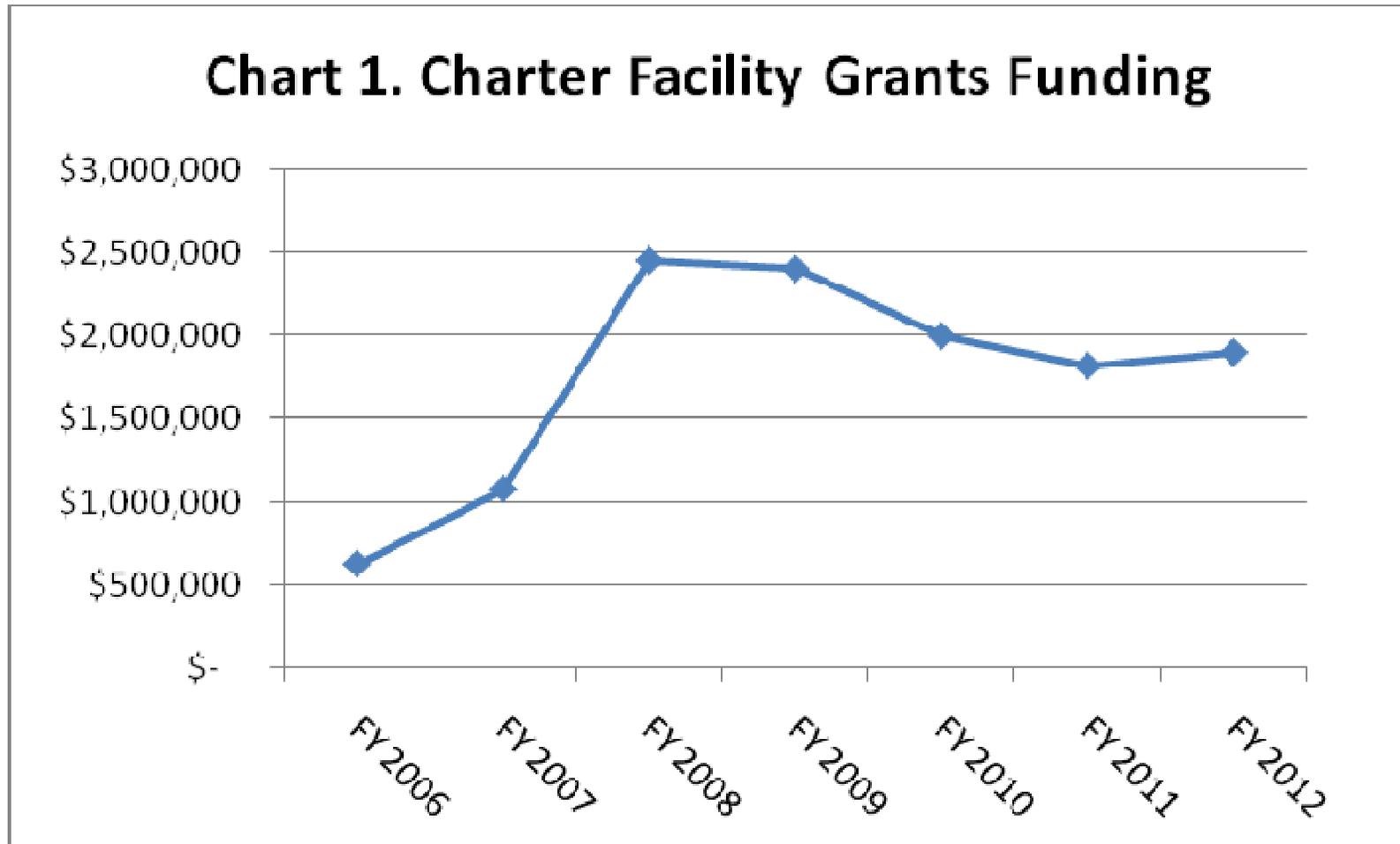


Charter Facilities in Georgia

- ▶ GA law provides that school systems must make unused facilities available to charter schools. It requires that systems repair and maintain those facilities to the same extent as other schools in the district, unless previously agreed upon.
- ▶ Currently, only 6 charter schools are housed in traditional public school buildings.
- ▶ Since FY06, the state has provided a grant for charter school facilities.
- ▶ Funds are provided on a competitive basis – although statute says to distribute on a per pupil basis.



Georgia Facilities Grant Funding



Charter Schools Facilities Overview

Tabitha Press
Strategic Development Coordinator
Charter Schools Division
Georgia Department of Education

What is a Charter?

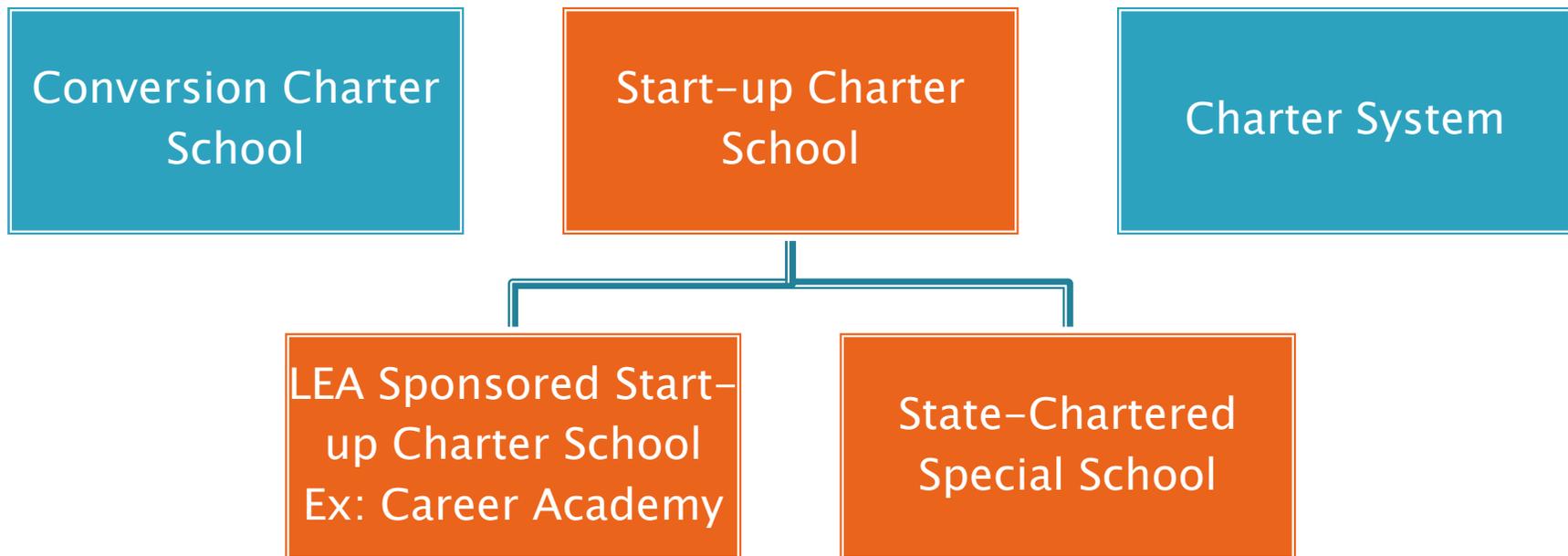
A performance-based, legal contract between non-profit governing organization and its authorizer(s)

It sets forth the legal obligations under which the charter school is governed

Charter schools are held accountable by their authorizer for upholding the stipulations in their charter

All charter schools are public schools

Types of Charter Schools



Types by the Numbers

Start-ups

- 53 Locally Approved Start-ups
- 12 State-Chartered Special School Start-ups

Conversions

- 31 Conversions

Charter Systems

- 14 Charter Systems

Charter Schools Facilities Grant

Awards

- Approximately \$1.8 million this year
- Competitive grant program for all types of charter schools except charter systems
- 29 applications

Application

- Schools submit application with the following components
 - Statement of need
 - Academic performance
 - History of fiscal management
 - Five-year facilities plan

Most Frequently Requested Items in Charter School Facilities Applications

Lease/Mortgage
Payments

Security

School Buses

HVAC

Plumbing

Other General
Maintenance

Issues associated with the Facilities Grant

Current funding level is not keeping up with demand. FY11 awarded \$1.8 million in facilities grants

- Funding has remained fairly constant as the number of charter schools has more than doubled in the past four years.
- Need is occasionally not proportional to number of students.

Issues associated with 20-2-2068.2

Language includes all charter schools as eligible applicants including conversion charter schools

- “Local charter school” means a conversion charter school or start-up charter school that is operating under the terms of a charter between the charter petitioner and the local board

Language regarding lease of five years or longer. Most charter schools have a five year charter term. In the first year of their charter, they may not have secured a permanent place but still could benefit from receiving federal funds

- “Renovation, repair and maintenance of school facilities that the school owns or is purchasing through a lease-purchase or long-term lease of five years or longer.”

Issues associated with O.C.G.A. 20-2-2068.2

What is the definition of unused?

- Districts have no incentive to provide facilities

What is the condition of the unused facilities?

- Many of the facilities need major renovations that the charter school can not afford
- Facilities may be deemed unsafe for students

Federal Charter School Facilities Incentive Grants Program

Purpose of the program is to help eligible States establish or enhance, and administer, per-pupil facilities aid programs for charter schools.

Competitive Grant Program for SEAs

- Held every 5 years
- Last competition was 2009
 - Awarded 2 states 5 year grants (Indiana \$15,000,000; California \$48,502,749)

Federal Charter School Facilities Incentive Grants Program

Five year grants with a State-matching requirement

- 1st year – Federal grant covers 90%
- 5th year– Federal grant covers 20%

All charter schools that receive the grant through the state must meet the Federal definition of a charter school

Considerations for Georgia

- ▶ If awarded a Federal Charter Schools Facilities Grant, then Georgia could set priorities to receive those grants such as:
 - School serves a certain percentage of students who receive free and reduced lunch
 - School is located in an underserved community
 - School can not be located in a surplus or unused district facility

Charter Facilities Options for Consideration

Charter Facilities

- ▶ For Consideration:

1. Create bond-funded program to renovate unused/surplus facilities and
 2. Enhance per pupil grant for facilities and
 3. Pursue federal funds for charter facilities and
 4. Provide funding for a staff person at DOE facilities division to oversee charter facilities.
- NOTE: Charter systems, conversion charters, and any charter school that is already included in the K-12 capital outlay program would be ineligible. School systems are already earning entitlements based on these students. Virtual charter schools would also be ineligible.

Renovation Grant

▶ Issue:

- The most ideal place for a charter school is a traditional school building. Many school systems have surplus/unused facilities.
 - These surplus/instructional units are considered as usable space in a system's facility plan and "count against" a system's needs.
 - State law already requires local school systems to make unused facilities available to charter schools. However, if a system provides space to a charter school, they also are responsible for maintaining the facility to the same extent as other facilities in the system (unless previously agreed upon).
 - Unused facilities often need extensive renovation – more than a charter school can afford.

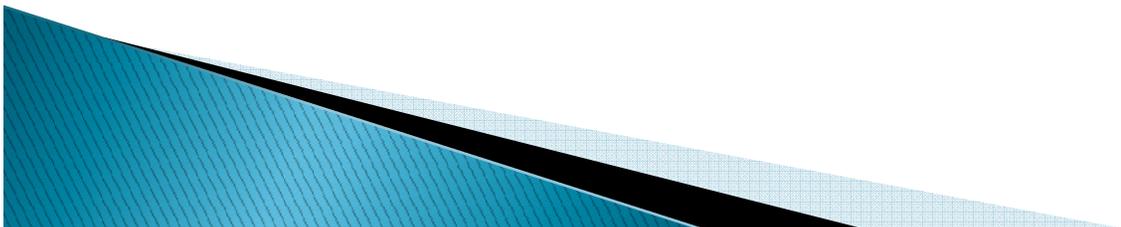
Renovation Grant, cont

▶ For Consideration:

- Create a bond-funded grant for charter schools to renovate existing school buildings that are not being utilized by school systems.
- Consider a 5–10% match requirement
- Funds may only be used for renovations or modifications. No new buildings.
- System retains ownership of building, but must agree to let charter school remain in space for set period of time (ie, 10 years).
- As an incentive for systems, the facility would no longer count against a system as surplus units.
- This would provide charter schools with a rent-free building and a traditional classroom space.

Per Pupil Facilities Grant

- ▶ Issue:
 - Surplus property may not be available in all school systems. Without a dedicated grant to help pay rent, charter schools must use QBE earnings to pay facilities cost. This is an expense item that traditional public schools don't face.



Per Pupil Facilities Grant, cont

- ▶ For Consideration:
 - ▶ Enhance current Facilities Grant
 - ▶ To be eligible, charter schools must first work with DOE to find available surplus space in their school system. Once they have demonstrated that appropriate space is not available, they would be eligible for per pupil grant funding. (Note: Charters that are located in a building that has received a renovation grant would not be eligible for per pupil allocation.)
 - ▶ A per pupil amount would be provided on a reimbursement basis to help cover eligible expenses (ie, rent/lease, building payment, renovation, security costs, etc.)

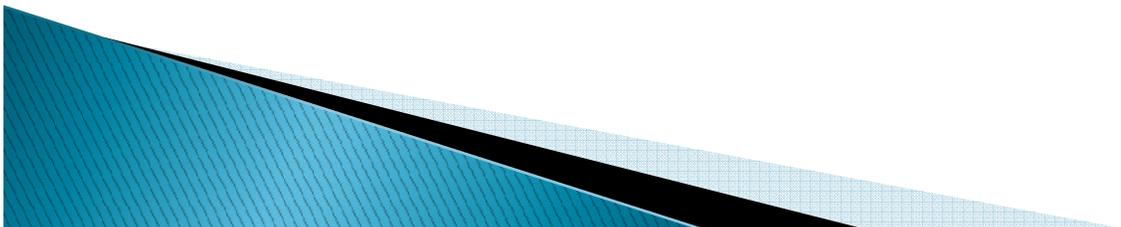
Federal Funds

▶ Issue:

- Federal Funds are available for charter school facilities. There is typically a five-year funding cycle and states must apply.

▶ For Consideration:

- Georgia law provides that funds will be allocated on a per-pupil basis in order to draw down federal funds. Yet, funds have not been allocated this way.
- Provide per-pupil grant funding (as recommended) and apply for federal grant in next funding cycle.



DOE Facility Staff

▶ Issue:

- No dedicated staff person in Facilities division or Charter School division who is able to oversee all aspects of charter facilities.

▶ For Consideration:

- Provide a dedicated staff person in DOE with a facilities background to work with charter schools and applicants.
 - Visit current or prospective facility and perform needs assessment. Approve appropriateness of site and ensure that facility is safe and adequate.
 - Work with charter schools and systems to identify surplus space that may be available.
 - No charter school would be eligible for state renovation grant or per pupil grant without DOE site approval.