

Federal Funding Programs for Charter School Facilities

Master Class for Facilities

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August 5, 2010

Federal Charter School Facilities Funding Programs By Agency

U.S. Department of Education

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

U.S. Department of Treasury

- New Markets Tax Credit Program (NMTC)
- Qualified School Construction Bond (QSCB)
- Qualified Zone Academy Bond Program (QZAB)

U.S. Department of Agriculture

- Rural Development Community Facilities Programs

Federal Emergency Management Agency

- Public Assistance Grant Program

Federal Funding Programs

Features of the NMTC, QZAB and QSCB programs of the U.S. Department of Treasury

- These are bond financing programs and not grant programs
- Funding is facilitated through the issuance of taxable bonds
- Incentive to investors is the receipt of federal tax credit (time frame varies by program), in lieu of cash interest payments
- Benefit to the borrower (charter school) is reduced bond interest; borrowers are generally responsible of repayment of principal only
- Savings to borrower could be as much as 50% of the financing costs

New Markets Tax Credit Program (NMTC)

- Administered by the U.S. Department of Treasury
- Created in 2000 to stimulate private investment and economic growth in low-income communities, subsequent legislation thereafter
- Funding is provided to various business activities and include loans to charter schools for facilities projects in qualifying low-income census tracts
- Permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments (QEIs) in designated Community Development Entities (CDEs); tax credit of 39% is provided over 7 years
- QEIs must be used by the CDEs as investments in low-income communities
- Any organization can apply to the CDFI Fund to qualify as a CDE via competitive application process; CDFIs automatically qualify

New Markets Tax Credit Program (NMTC)

- Since inception, the NMTC Program has awarded \$26 billion of tax credits
- According to the 2010 Charter School Facility Finance Landscape (Landscape) survey by Local Initiatives Support Corporation (LISC), 40 organizations that have included charter schools and community facilities in their proposed uses = 119 NMTC awards totaling \$8.76 billion, \$573 million have been allocated to charter school facilities, \$3.15 million remain available to this date
- [http://www.cdfifund.gov/what we do/programs id.asp?programID=5](http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5)

Federal Funding Programs

Qualified School Construction Bond Program (QSCB)

- Administered by the U.S. Department of Treasury
- Supports the construction, rehabilitation or repair of public school facilities, acquisition of land on which the facility will be constructed, furniture and equipment for facilities
- States and local governments may issue up to \$11 billion in 2009 and \$11 billion in 2010
- Allocation to states and local educational agencies (LEAs) are based on a statutory formula
 - 40% of allocation is distributed to 100 LEAs with the largest school age populations in poverty
 - 60% to states based on their prior year's Title I grant funding for disadvantaged students under NCLB (less that state's LEA allocation)

Federal Funding Programs

Qualified School Construction Bond Program (QSCB)

- Eligible issuers include states and its political subdivisions, LEAs or local government entities empowered to issue bonds, and eligible issuers in conduit financing issues
- To date, there have been \$2.7 billion in QSCBs issued by traditional school districts
- So far, a limited number of charter schools in New Jersey and Texas have issued QSCBs
- <http://www2.ed.gov/policy/gen/guid/secletter/090529.html>

Federal Funding Programs

Qualified Zone Academy Bond Program (QZAB)

- Administered by the U.S. Department of Treasury
- Created in 1997 to assist eligible public schools raise funds to renovate facilities, purchase equipment, develop curricula and train teachers and personnel
- New construction or land acquisition are not allowed
- QZAB authorization is provided to states based on their proportion of the US population living below the poverty line; states determine how much of their allocation, if any, may be used by charter schools
- Three criteria for eligibility
 1. Located in an Empowerment Zone or Enterprise Community or has a student body in which at least 35% of students are eligible for the federal free and reduced lunch program
 2. Develop a partnership with a business or other entity that will contribute at least 10% of the bond borrowing
 3. Student standards and assessments approved by the district

Federal Funding Programs

Qualified Zone Academy Bond Program (QZAB)

- QZAB allocations were \$400 million annually 1998 to 2008; \$1.4 billion annually for 2009 and 2010 (increase attributable to ARRA); allocations expire in two years
- No over-demand for QZABs: distribution mechanism, through SEAs or LEAs, bureaucracy, strict eligibility requirements including prohibition from using proceeds for new construction
- According to the Landscape survey by LISC, Arizona, California, Louisiana, Massachusetts, Michigan, Missouri, Texas, Wisconsin and Washington D.C. have utilized QZABs on behalf of charter schools
- <http://www.ed.gov/programs/qualifiedzone/index.html>

Rural Development Facilities Programs

- Administered by the U.S. Department Agriculture
- The Community Facilities Direct Program, Community Facilities Guaranteed Program and Community Facilities Grants provide loans, guarantees and grants to finance essential community facilities in rural areas and towns of up to 20,000 in population
- Facilities funded include libraries, hospitals, fire and rescue stations, community centers and schools, including charter schools
- Loans and guarantees are available to public entities such as municipalities, counties, and special-purpose districts, as well as to non-profit corporations and tribal governments. Qualifications include
 - Legal authority to borrow repay loans, pledge security to pay loans, and construct and operate and maintain the facilities

Rural Development Facilities Programs

- Highest priority for grants is for projects serving communities with populations under 5,000, median household incomes below the poverty line or 60% of the state non-metropolitan median household income, whichever is higher
- According to the Landscape survey by LISC, to date, there have been \$197 million in loans, guarantees and grants for charter school projects in 13 states.
- [http://www.rurdev.usda.gov/HCF CF.html](http://www.rurdev.usda.gov/HCF_CF.html)

Public Assistance Grant Program

- Administered by the Federal Emergency Management Agency (FEMA)
- Provides assistance to states, local governments and certain non-profit organizations to alleviate suffering and hardship resulting from major disasters or emergencies declared by the President (hurricane, flood, earthquake, tornado are examples)
 - Grants reimburse at least 75% costs associated with the repair, replacement and restoration of disaster damaged publicly owned facilities and certain private non-profit organizations
- Funding includes debris removal, emergency protective measures, buildings, contents and equipment and others
- Louisiana particularly New Orleans charter schools have received funds
- <http://www.fema.gov/government/grant/pa/index.shtm>

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