



# 2010 Charter School Facility Finance Landscape



# 2010 CHARTER SCHOOL FACILITY FINANCE LANDSCAPE

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## LOCAL INITIATIVES SUPPORT CORPORATION

Local Initiatives Support Corporation (LISC) is dedicated to helping community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity—good places to work, do business and raise children. LISC mobilizes corporate, government and philanthropic support to provide local community-based organizations with:

- loans, grants and equity investments
- local, statewide and national policy support
- technical and management assistance

LISC is a national organization with a community focus. Our program staff are based in every city and many of the rural areas where LISC-supported community development takes shape. In collaboration with local community groups, LISC staff help identify priorities and challenges, delivering the most appropriate support to meet local needs. LISC is *Building Sustainable Communities* by achieving five goals:

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- Increasing Family Income and Wealth
- Stimulating Economic Development
- Improving Access to Quality Education
- Supporting Healthy Environments and Lifestyles

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The Educational Facilities Financing Center (EFFC) at LISC supports quality public charter and alternative schools in distressed neighborhoods. LISC founded the EFFC in 2003 to intensify its national effort in educational facilities financing. The EFFC pools low-interest loan and grant funds and leverages them for investment in charter school facilities in order to create new or renovated school facilities for underserved children, families and neighborhoods nationally. Since making its first charter school grant in 1997, LISC has provided \$98 million in grants, loans or guarantees for 130 schools across the country. The EFFC is supported by the Bill & Melinda Gates Foundation, Prudential Financial, the U.S. Department of Education and the Walton Family Foundation.

The EFFC assembled a National Advisory Board to provide oversight and leadership of its strategic mission, resource development, public policy activity and other issues relevant to the attainment of its mission. The Advisory Board is comprised of members representing the community development, education, finance and philanthropic communities.

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Since 2005, the Educational Facilities Financing Center of the Local Initiatives Support Corporation has provided periodic updates on the state of the charter school facility financing landscape. While charter schools have flourished since the last edition in 2007, securing adequate and affordable facilities remains a central challenge, hindering the growth of some of the country's highest performing schools. The \$4.35 billion competitive federal "Race to the Top" grant fund has given far greater visibility to charter schools as part of broader education reform efforts and prompted the removal or loosening of state caps on charter growth. However, equitable public facilities funding remains an elusive goal. At the same time, the economic downturn and tightening of the credit markets have slowed charter school access to private sector financing. This 2010 edition of the Landscape provides an updated snapshot of the charter school facility financing sector, including federal policies supportive of charter school facilities and state policies in all 40 jurisdictions with a charter law. Also included are descriptions of private philanthropies and nonprofit organizations active in the sector and, for the first time, information on charter school access to the tax-exempt bond market.

There are almost 5,000 public schools operating under charters, educating approximately 1.5 million children nationally. Lack of access to appropriate public facilities or to public funding for facilities continues to be a major obstacle for these school operators. Unlike traditional school districts, charter schools do not have taxing authority and must rely on limited public capital funds and operating revenues to pay for their facilities. Of the 40 jurisdictions with a charter law, only 11 provide additional per pupil funding specifically for facilities, with only three providing more than \$1,000 on a per pupil basis. This lack of public support has forced charter school operators to turn to the private sector for their facilities needs.

The charter school facility financing sector has expanded significantly in the past two decades, developed in its early phases by nonprofit community development organizations with support from the philanthropic community and the U.S. Department of Education (ED). Today, over two dozen private nonprofit organizations provide financing for charter school facilities, collectively providing \$1.1 billion in direct



financial support and another \$369 million in New Markets Tax Credit (NMTC) allocation. Because this financing is supported in part by ED's Credit Enhancement for Charter School Facilities Program, these nonprofit organizations have tended to serve the "riskier" schools—those earlier in the charter school life cycle or those with little surplus cash flow or limited collateral. Despite this higher risk profile, the default rate for charter school financing provided by these organizations is 1% measured as a percentage of originated financing, with realized losses of only 0.3%.

Private capital from traditional lenders and the tax-exempt bond market had also become increasingly available until recently. Several national financial institutions invested significantly in the sector, and other regional commercial lenders participated on a smaller scale to finance schools in their geographic markets. In addition, older charter schools and schools with larger enrollments were able to access the tax-exempt bond market, roughly half with some form of credit enhancement. Between 1999 and 2009, \$2.4 billion in rated tax-exempt debt was issued to finance charter school facilities. As would be expected with the higher credit quality necessary for the tax-exempt market, the default rate for this debt is lower than that of the nonprofit financing organizations. The default rate is 0.1% in terms of defaults that impacted bondholders and 0.4% when taking into account additional cases where the charter school missed debt service payments, but bondholders were kept whole due to credit enhancement built into the issuance.

Despite these successes in gaining greater access to capital and establishing a strong track record of performance, forward momentum was slowed with the global credit crisis in 2008. The downturn in the economy and tightening of credit as a result of the sub-prime mortgage crisis affected every private source of charter school facility financing. Facing heavy losses associated with their housing investments, many commercial lenders scaled back their community development lending departments and tightened their underwriting criteria. The collapse of the municipal bond insurers, combined with investors' aversion to all but the highest rated credits, stalled charter school access to the tax-exempt bond market for a period, with issuance in 2008 plummeting to a third of the level experienced only a year before. Facing their own liquidity pressures as their funding sources pulled back, many of the nonprofit organizations also slowed their loan origination across all program areas, including charter schools.

While private financing sources rebounded partially in 2009, the question remains whether the educational future of the expanding charter school population should be held captive to the vagaries of the global economy, as they were in the most recent economic downturn. With the heightened focus on the growth of high-quality charter schools in the nation's education reform efforts, it is time for the public sector to address this fundamental inequity and end the separate and unequal system of financing the nation's public charter schools.

## PRIVATE NONPROFIT ORGANIZATIONS

In the private sector, there are 29 nonprofit organizations that provide significant facilities assistance to charter schools in the form of grants, loans, guarantees, real estate development and technical assistance. Seven foundations have committed to facilities financing on more than a localized basis, providing grants and program-related investments (PRIs) to help finance charter school facilities. Twenty nonprofit organizations provide financing for charter school facilities as part of their community development or charter support missions. Three organizations provide real estate development services, including one developer that also provides credit enhancement and loan financing for charters. Thirteen of these 29 organizations have received support totaling \$180 million from ED's credit enhancement program, and 11 have been awarded a total of \$2.6 billion in NMTC allocation by the Community Development Financial Institutions Fund (CDFI Fund) of the U.S. Department of the Treasury (Treasury Department).

These private nonprofits have collectively provided \$1.1 billion in direct financial support to charter schools for their facilities needs. Of this total, \$343 million, or 31%, has been repaid in full. Financing provided by these organizations demonstrates a low default rate, notable given the fact that they generally serve the most risky school credits, whether because of their age, size or the limited collateral associated with their financings. According to data reported by the organizations, in the aggregate, charter schools have defaulted on 13 loans or guarantees, meaning that the school was no longer able to make debt service payments and the lender had to litigate or foreclose for repayment. These 13 defaults represent \$11 million in originated financing, or 1% of the \$1.1 billion in total financing and 1.5% of the total number of financings. Of these defaults, only nine have resulted in actual losses to lenders of \$3.7 million, the majority resulting from financing provided to a single school in which a number of the organizations participated. These losses represent 0.3% of the \$1.1 billion in total financing and 1% of the total number of financings.

In addition to direct loan, guaranty and grant financing, 11 organizations have utilized \$369 million, or 14%, of their NMTC allocations on behalf of charter school facilities. Collectively, these 11 organizations represent 64% of the total \$573 million reported as utilized in charter school facility projects by 40 NMTC allocatees polled by the EFFC. Appendix A includes summary data regarding capital provision, portfolio performance and financing terms for the nonprofit financing organizations that have originated financing to date.

## PRIVATE NONPROFIT ORGANIZATIONS (\$ in Millions)

| Organization                                      | Direct Financing | NMTC Utilization |
|---|------------------|------------------|
| <b>Foundations<sup>1</sup></b>                    |                  |                  |
| The Annie E. Casey Foundation (AECF)              | —                | —                |
| Bill & Melinda Gates Foundation (BMGF)            | —                | —                |
| Daniels Fund                                      | —                | —                |
| The Eli and Edythe Broad Foundation               | —                | —                |
| Ewing Marion Kauffman Foundation                  | —                | —                |
| The Prudential Foundation                         | —                | —                |
| The Walton Family Foundation (WFF)                | —                | —                |
| <b>Financing Organizations</b>                    |                  |                  |
| Bridgeway Capital                                 | \$3.9            | —                |
| Building Hope                                     | 69.4             | —                |
| Charter School Growth Fund (CSGF)                 | —                | —                |
| Charter Schools Development Corporation (CSDC)    | 33.5             | 40.0             |
| Community Reinvestment Fund, USA (CRF)            | 9.0              | 9.0              |
| Excellent Education Development, Inc. (ExED)      | 1.4              | 71.0             |
| Housing Partnership Network (HPN)                 | —                | —                |
| IFF   | 47.7             | 0.4              |
| Innovative Schools Development Corporation (ISDC) | 9.0              | —                |
| KIPP Foundation                                   | 2.6              | —                |
| Local Initiatives Support Corporation (LISC)      | 97.6             | 29.9             |
| Low Income Investment Fund (LIIF)                 | 64.2             | 26.5             |
| NCB Capital Impact                                | 387.5            | 86.8             |
| New Jersey Community Capital (NJCC)               | 38.3             | 6.0              |
| Nonprofits Assistance Fund                        | 4.9              | —                |
| Nonprofit Finance Fund (NFF)                      | 14.5             | 7.5              |
| Partners Advancing Values in Education (PAVE)     | 3.3              | —                |
| Raza Development Fund, Inc. (RDF)                 | 52.8             | —                |
| Self-Help   | 106.5            | 62.6             |
| The Reinvestment Fund, Inc. (TRF)                 | 165.3            | 29.4             |
| <b>Real Estate Developers</b>                     |                  |                  |
| Charter Schools Development Corporation           | See above        | See Above        |
| Civic Builders                                    | —                | —                |
| Pacific Charter School Development (PCSD)         | —                | —                |
| <b>Total</b>                                      | <b>\$1,111.4</b> | <b>\$369.2</b>   |

Source: EFFC

<sup>1</sup> The seven foundations included here provide a significant portion of their facilities support indirectly through the nonprofit financing organizations; thus, their support is not included in the tally of direct financial support. See "Private Nonprofit Organizations-Foundations" for descriptions of financing provided by these foundations.

## TAX-EXEMPT BOND MARKET

As of year-end 2009, 176 charter school facility bond issuances totaling \$2.4 billion have been rated by the three major rating agencies: Fitch Ratings (Fitch), Moody's Investor Services (Moody's) and Standard & Poor's (S&P). Approximately half of these issues included some form of credit enhancement, primarily bond insurance. Rated charter school bond issuance peaked in 2007 with 37 issues totaling \$676 million. However, the collapse of the municipal bond insurance companies in 2008, as a result of the sub-prime mortgage crisis, dampened investor appetite for municipal bonds generally and stalled charter school access. While activity rebounded somewhat in 2009, lack of viable enhancement options has meant that charter schools must access the market on the strength of their own credit rating, generally in the low investment grade category. In a market environment in which lower rated issues are paying interest rate premiums, such unenhanced access is often costly for charter schools.

Despite the decline in issuance activity since 2007, the financial performance of charter schools that have accessed the tax-exempt bond market has been strong. Among the 176 rated charter school bond issues, there has been one payment default that resulted in a loss to bondholders, a default rate of 0.1% in terms of the total par amount issued or 0.6% in terms of the total number of issues. There were also two other cases in which schools missed payments under their loan agreements, but there was no loss to bondholders due to credit enhancement built into the issuance. These two issues bring the adjusted default rate of underlying school performance to 0.4% of the total par issued or 1.7% of the number of issues. See Appendix B for specific data for these 176 rated bond offerings.

## FEDERAL INITIATIVES

Seven federal programs provide varying types of assistance to, or on behalf of, charter schools for their facilities. The U.S. Department of Education provides grant funds through two programs administered by the Office of Innovation and Improvement: the **Credit Enhancement for Charter School Facilities Program** and the **State Charter School Facilities Incentive Grants Program**. ED has made credit enhancement grant awards to 19 public and nonprofit entities totaling \$214 million that have helped leverage \$1.3 billion in capital on behalf of 278 charter schools. In order to spur states to share in the public funding of charter school facilities, ED has also provided state incentive grant awards to four states totaling \$78 million and continues to fund a second cohort of two states with annual awards totaling \$13 million.

The U.S. Department of the Treasury allocates authority for three federal tax credit programs for which charter schools are eligible, including the **Qualified School Construction Bond (QSCB) Program**, the **Qualified Zone Academy Bond (QZAB) Program** and the **New Markets Tax Credit Program**. The QSCB Program is a new addition to the charter landscape, created by the American Recovery and Reinvestment Act of 2009 (Recovery Act), to support the acquisition, construction, rehabilitation or repair of public school facilities, including charter schools. To date, two

charter schools in New Jersey and Texas have issued \$22 million out of an estimated \$2.7 billion in QSCB issuance.

The QZAB Program has been in existence for over a decade and helps eligible public schools raise funds to rehabilitate and repair facilities, excluding new construction and land acquisition. QZABs have been employed on behalf of charter schools in several jurisdictions, including Arizona, California, Louisiana, Massachusetts, Michigan, Missouri, Texas, Wisconsin and Washington, D.C.

Designed to stimulate private investment and economic growth in low-income communities, the NMTC Program is also a familiar feature of the charter landscape. In this iteration of the study, the EFFC polled 40 NMTC allocatees that included charter schools specifically or community facilities generally as one of the proposed uses of their tax credits to determine actual utilization for charter school facilities projects. Reported NMTC allocation employed on behalf of charter school facilities projects for these 40 organizations equals \$573 million, representing 10% of the total \$5.6 billion in closed and committed funds for these allocatees to date, 7% of their total \$8.76 billion allocation awards and 2% of the \$26 billion awarded more broadly.

In addition, there are two other federal programs administered by federal agencies that charter schools can access for their facilities needs, including **Community Programs** administered by the Department of Agriculture and the **Public Assistance Grant Program** administered by the Federal Emergency Management Agency.

## STATE INITIATIVES

This study also updates the state-level funding and financing programs currently authorized throughout the country, which have not changed significantly since the 2007 Landscape. Of the 40 jurisdictions with a charter law, slightly less than half have authorized a **grant, loan** and/or **credit enhancement** program for charter school facilities, with program size and magnitude of support varying widely across jurisdictions. Also included are brief descriptions of charter school access to tax-exempt financing through conduit issuers and eligibility for participation in the QSCB and QZAB programs (Q-Bond Programs).

- Eleven jurisdictions—Arizona, California, Colorado, Florida, Massachusetts, Minnesota, New Mexico, Pennsylvania, Tennessee, Utah and Washington, D.C.—offer a **per pupil funding** stream of varying magnitude specifically for facilities. Of these 11 jurisdictions, three provide funding of over \$1,000 per pupil, four provide funding of between \$250 and \$500 per pupil and four provide funding of under \$250 per pupil.
- Eight jurisdictions—California, Colorado, Georgia, New Mexico, New York, Oklahoma, Rhode Island and Washington, D.C.—are currently appropriating funds for some other form of **grant funding** for charter school facilities. Two states—Connecticut and Utah—have authorized grant programs which are not currently funded.
- Three jurisdictions—Colorado, Florida and New Mexico—allow charter schools to tap into local **taxing authority** through mill levy provisions.
- Five jurisdictions—California, Illinois, Louisiana, Utah and Washington, D.C.—have authorized, active publicly-funded **loan programs**.
- Six jurisdictions—Colorado, Indiana, Massachusetts, Michigan, Texas and Washington, D.C.—offer some form of credit enhancement program, including moral obligation provisions in Colorado and Indiana and a statewide **credit enhancement program** in Texas. Massachusetts and Michigan have been included as states providing credit enhancement because their programs are either partially funded or administered by public entities.
- 34 of the 40 jurisdictions allow charter schools to access tax-exempt debt through **conduit issuers**. However, actual utilization varies significantly by jurisdiction.
- 31 jurisdictions technically allow charter schools to participate in both their **QSCB and QZAB programs**, and four jurisdictions allow charter schools to participate in one of their Q-Bond Programs. In practice, however, numerous states have prioritization criteria that effectively preclude charter schools, and others have not specifically addressed charter school eligibility although they do not prohibit it.

The chart on page 6 summarizes funding and financing assistance to charter schools for their facilities in the 40 jurisdictions with a charter law and includes as a reference point the number of charter schools operating within the jurisdiction as of April 2010.

Wherever possible, we have provided statutory and government program references and have sought to provide links to online, publicly available, free resources. Many of the online references are not “official” in a legal sense or may not have been updated recently. Accordingly, readers should use these references as a starting point for their research and should not solely rely on the links provided.

## SUMMARY OF STATE CHARTER SCHOOL FACILITY FUNDING AND FINANCING PROGRAMS 40 JURISDICTIONS WITH CHARTER SCHOOL LEGISLATION<sup>1</sup>

| Jurisdiction     | Operating Charter Schools | Per Pupil Funding | Other Grant Funding | Loan Program | Credit Enhancement <sup>2</sup> | Conduit Issuer | QZAB Eligibility | QSCB Eligibility |
|------------------|---------------------------|-------------------|---------------------|--------------|---------------------------------|----------------|------------------|------------------|
| Alaska           | 24                        |                   |                     |              |                                 | ■              | ■ <sup>3</sup>   | ■ <sup>3</sup>   |
| Arizona          | 503                       | ■                 |                     |              |                                 | ■              | ■                | ■                |
| Arkansas         | 29                        |                   |                     |              |                                 |                | ■ <sup>4</sup>   | ■                |
| California       | 815                       | ■                 | ■                   | ■            |                                 | ■              | ■                | ■                |
| Colorado         | 157                       | ■                 | ■                   |              | ■                               | ■              | ■ <sup>3</sup>   | ■                |
| Connecticut      | 18                        |                   | ■ <sup>5</sup>      |              |                                 | ■              | ■                | ■                |
| Delaware         | 21                        |                   |                     |              |                                 | ■              | ■                | ■                |
| Florida          | 410                       | ■                 |                     |              |                                 | ■              |                  | ■                |
| Georgia          | 139                       |                   | ■                   |              |                                 | ■              | ■ <sup>6</sup>   | ■ <sup>6</sup>   |
| Hawaii           | 31                        |                   |                     |              |                                 |                | ■                |                  |
| Idaho            | 40                        |                   |                     |              |                                 | ■              | ■                | ■                |
| Illinois         | 39                        |                   |                     | ■            |                                 | ■              | ■ <sup>3</sup>   |                  |
| Indiana          | 54                        |                   |                     |              | ■                               | ■              | ■                | ■                |
| Iowa             | 7                         |                   |                     |              |                                 |                |                  |                  |
| Kansas           | 35                        |                   |                     |              |                                 | ■              | ■ <sup>3</sup>   | ■ <sup>3</sup>   |
| Louisiana        | 77                        |                   |                     | ■            |                                 | ■              | ■                | ■                |
| Maryland         | 42                        |                   |                     |              |                                 | ■              | ■ <sup>7</sup>   | ■ <sup>7</sup>   |
| Massachusetts    | 62                        | ■                 |                     |              | ■                               | ■              | ■                | ■                |
| Michigan         | 240                       |                   |                     |              | ■                               | ■              | ■                | ■                |
| Minnesota        | 152                       | ■                 |                     |              |                                 | ■              | ■                | ■                |
| Mississippi      | 1                         |                   |                     |              |                                 |                |                  |                  |
| Missouri         | 33                        |                   |                     |              |                                 | ■              | ■                | ■                |
| Nevada           | 28                        |                   |                     |              |                                 |                | ■ <sup>3</sup>   | ■ <sup>3</sup>   |
| New Hampshire    | 13                        |                   |                     |              |                                 | ■              | ■ <sup>4</sup>   | ■ <sup>4</sup>   |
| New Jersey       | 67                        |                   |                     |              |                                 | ■              | ■                | ■                |
| New Mexico       | 72                        | ■                 | ■                   |              |                                 | ■              | ■ <sup>3</sup>   | ■ <sup>3</sup>   |
| New York         | 140                       |                   | ■                   |              |                                 | ■              | ■                | ■                |
| North Carolina   | 96                        |                   |                     |              |                                 | ■              |                  |                  |
| Ohio             | 323                       |                   |                     |              |                                 |                | ■ <sup>8</sup>   | ■ <sup>8</sup>   |
| Oklahoma         | 18                        |                   | ■                   |              |                                 | ■              |                  |                  |
| Oregon           | 103                       |                   |                     |              |                                 | ■              | ■ <sup>3</sup>   | ■ <sup>3</sup>   |
| Pennsylvania     | 135                       | ■                 |                     |              |                                 | ■              |                  |                  |
| Rhode Island     | 14                        |                   | ■                   |              |                                 | ■              | ■                | ■                |
| South Carolina   | 37                        |                   |                     |              |                                 | ■              | ■ <sup>3</sup>   | ■ <sup>3</sup>   |
| Tennessee        | 22                        | ■                 |                     |              |                                 | ■              | ■ <sup>3</sup>   | ■ <sup>3</sup>   |
| Texas            | 278                       |                   |                     |              | ■                               | ■              | ■                | ■                |
| Utah             | 72                        | ■                 | ■ <sup>9</sup>      | ■            |                                 | ■              | ■                | ■                |
| Virginia         | 3                         |                   |                     |              |                                 | ■              | ■                |                  |
| Washington, D.C. | 57                        | ■                 | ■                   | ■            | ■                               | ■              | ■                | ■                |
| Wisconsin        | 206                       |                   |                     |              |                                 | ■              | ■ <sup>3</sup>   | ■ <sup>3</sup>   |
| Wyoming          | 3                         |                   |                     |              |                                 |                |                  |                  |
| <b>Total</b>     | <b>4,616</b>              | <b>11</b>         | <b>10</b>           | <b>5</b>     | <b>6</b>                        | <b>34</b>      | <b>34</b>        | <b>32</b>        |

Source: EFFC

<sup>1</sup> The following 11 jurisdictions do not currently have charter school legislation: Alabama, Kentucky, Maine, Mississippi, Montana, Nebraska, North Dakota, South Dakota, Vermont, Washington and West Virginia. Mississippi's charter legislation expired in 2009; however, it has one operating charter school.

<sup>2</sup> Credit enhancement includes moral obligation provisions in Colorado and Indiana, a statewide credit enhancement program for open-enrollment charter schools in Texas and other loan guaranty programs in Massachusetts, Michigan, Texas and Washington, D.C., which are partially funded and/or administered by state entities.

<sup>3</sup> Charter schools may apply via the school district.

<sup>4</sup> Charter school eligibility has not been specifically addressed to date; however, charter schools are not expressly prohibited from participating in the jurisdiction's QZAB or QSCB program, as applicable.

<sup>5</sup> Connecticut's General Assembly authorized a new round of funding for the Facility Grant program in 2007; however, funds have not yet been distributed to schools. Connecticut's Charter School Construction Grant Program was a pilot program that served one school.

<sup>6</sup> Eligibility is restricted to conversion charter schools.

<sup>7</sup> Eligibility is restricted to charter schools located in district facilities.

<sup>8</sup> Local government may issue Q-Bonds on behalf of a charter school.

<sup>9</sup> Funding for Utah's grant program was eliminated in 2009.

## PRIVATE NONPROFIT ORGANIZATIONS

### FOUNDATIONS

While a number of foundations provide facilities financing assistance within select geographic markets, the following seven provide geographically diverse assistance.

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#### The Annie E. Casey Foundation (AECF)

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**Website:** <http://www.aecf.org>

**Market:** Nationwide

*Civic Sites: Atlanta, Baltimore and New Haven*

*Making Connections Cities: Denver, Des Moines, Hartford, Indianapolis, Louisville, Milwaukee, Oakland, Providence, San Antonio and Seattle*

The Annie E. Casey Foundation is a private charitable organization, dedicated to helping build better futures for disadvantaged children in the United States. It was established in 1948 by Jim Casey, one of the founders of UPS, and his siblings, who named the foundation in honor of their mother. AECF's primary mission is to foster public policies, human service reforms and community supports that more effectively meet the needs of vulnerable children nationwide. With assets of more than \$3 billion, AECF provides approximately \$190 million in grants each year, with numerous grants targeted by invitation to partners in AECF's Civic Sites and Making Connection Cities. Civic Sites are those in which AECF has close hometown ties, and Making Connection Cities were those identified for a ten-year investment in 1999.

Education is a key component of AECF's strategy, and the organization has supported a variety of efforts to create new schools and improve existing ones. In 1998, AECF began providing operational grant support to charter schools and authorized program-related investments for community development, including charter school facilities. AECF played a leading role in the development of, and provided a \$1 million guaranty to, the Indianapolis Charter Schools Facilities Fund, a facilities loan program for mayor-sponsored charter schools in Indianapolis that operated between 2005 and 2009. In April 2006, AECF also made a \$1 million subordinate PRI in the \$35 million Fund for Schools and Communities, which provided financing for charter schools in low-income communities in California.

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#### Bill & Melinda Gates Foundation (BMGF)

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**Website:** <http://www.gatesfoundation.org>

**Market:** Nationwide

Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy, productive lives. In developing countries, BMGF focuses on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, BMGF seeks to ensure that all people, especially those with the fewest resources, have access to the opportunities they need to succeed in school and life. Based in Seattle, the

foundation is led by CEO Jeff Raikes and co-chair William H. Gates Sr., under the direction of Bill and Melinda Gates and Warren Buffett.

BMGF has provided significant operating grant support to charter schools for a decade. In 2009, it made a \$60 million grant commitment to a coalition of five California charter management organizations (CMOs) to improve teacher effectiveness. The coalition, known as The College-Ready Promise, consists of the Alliance for College-Ready Public Schools, Aspire Public Schools, Green Dot Public Schools, ICEF Public Schools and Partnerships to Uplift Communities Schools, which collectively operate 85 charter schools and enroll 28,000 students, primarily in Los Angeles County.

In 2009, BMGF closed on its first investment in charter school facilities, a \$30 million credit support agreement to help secure \$300 million in tax-exempt bond issuance to expand high-quality CMOs in Houston, including KIPP Houston and YES Prep Public Schools. The first financing through the program was a \$67 million issue that enabled KIPP Houston to access the bond market at favorable terms. The \$30 million charter school facility investment was the foundation's first U.S. investment as part of an initiative announced earlier in 2009 that committed a total of \$400 million in PRIs over a two-year period. In April 2010, BMGF closed on another \$8 million guaranty for a \$93 million bond issue for Aspire Schools in California. These investments, in the form of low-interest loans, loan guarantees and equity investments, will leverage BMGF's balance sheet to secure financing for organizations and programs that fall within its core focus areas: global development, global health and U.S. program, which includes education.

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#### Daniels Fund

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**Website:** <http://www.danielsfund.org>

**Market:** Colorado, New Mexico, Utah and Wyoming (programs with a national impact by invitation only)

Bill Daniels established the Daniels Fund in 1997 to operate the Daniels Scholarship Program and the Daniels Grants Program in Colorado, New Mexico, Utah and Wyoming. His estate transferred to the Daniels Fund when he passed away in 2000, making it one of the largest foundations in the Rocky Mountain Region. In addition to its scholarship funding, the Daniels Fund supports nonprofit organizations in seven program areas, including education. The Daniels Fund supports education reform initiatives, such as charter schools and voucher programs, which provide greater educational opportunities for all students. It also supports programs that enhance teacher quality and student achievement. In the area of charter school facilities, the Daniels Fund provided a \$3 million grant to CSDC's Building Block Fund for use as collateral in the Mountain West Charter Schools Fund, which in turn provides short-term/mini-permanent facilities loans to charter schools in Colorado, New Mexico and Utah.

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## The Eli and Edythe Broad Foundation (The Broad Foundation)

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**Website:** <http://www.broadfoundation.org/home.html>

**Market:** Nationwide

Founded in 1999, The Eli and Edythe Broad Foundation is a national entrepreneurial philanthropy that seeks to transform urban public education within the United States so that all children receive the skills and knowledge necessary to succeed in college, careers and life. Since its founding, The Broad Foundation has invested \$400 million to improve student achievement in urban areas by creating and supporting effective leadership, efficient organizations, healthy competition, teacher quality and best practices. The foundation's flagship initiatives include The Broad Superintendents Academy and The Broad Residency in Urban Education, which recruit, train, place and support executive leaders and management talent from across the country to be urban school district leaders. The foundation also created The Broad Prize for Urban Education, which annually awards \$2 million in scholarships to urban school districts that demonstrate the greatest overall performance and improvement in student achievement.

The Broad Foundation has invested in dozens of large cities where school districts are transforming their operations and instruction into efficient and effective outcome-based and student-centered organizations. In addition, the foundation has invested in innovative organizations working in urban communities to improve student achievement. For example, the foundation provided \$6 million to support a triage of organizations working to improve teaching and learning for New Orleans students after Hurricane Katrina: New Schools for New Orleans, Teach for America and New Leaders for New Schools.

The Broad Foundation has awarded \$90 million to support high-quality public charter schools, CMOs, charter incubation organizations, such as the NewSchools Venture Fund, and charter facility financing efforts. The foundation is one of the largest national funders of the KIPP network of schools as well as seven other high-performing CMOs operating in California and New York City. In the area of facilities financing, the foundation made two grants totaling \$3.75 million to support ExED's New Markets Tax Credit financing programs for the creation of charter school facilities in low-income Los Angeles communities. The foundation has also provided \$13 million in grants and program-related investments to Pacific Charter School Development, a nonprofit real estate development organization that develops, owns and leases facilities to high-quality charter schools in California, and \$1 million to Civic Builders, a nonprofit real estate developer that serves charter schools in New York City and Newark. The Broad Foundation has also provided a \$2.5 million PRI to the Charter School Growth Fund for its cohort members' facilities needs.

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## Ewing Marion Kauffman Foundation (Kauffman Foundation)

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**Website:** <http://www.kauffman.org>

**Market:** Kansas City

The Ewing Marion Kauffman Foundation was established in 1966 by the late entrepreneur and philanthropist Ewing Marion Kauffman. Based in Kansas City, Missouri, the Kauffman Foundation works with partners to advance entrepreneurship in America and improve the education of children and youth. In addition to grants for KIPP, the Kauffman Foundation provided a \$5 million PRI to CSDC's Building Block Fund, a \$30 million revolving credit enhancement fund that provides partial guarantees for charter school facility lease and loan payment obligations. The Kauffman Foundation also authored a 2005 study of the real estate risks of charter schools for lenders and landlords titled, "Debunking the Real Estate Risk of Charter Schools." The foundation is currently considering the formation of its own charter school in Kansas City.

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## The Prudential Foundation

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**Website:** <http://www.prudential.com/view/page/public/12848>

**Market:** Chicago, Dallas, Dubuque, Hartford, Houston, Jacksonville, Los Angeles, Minneapolis, New Orleans, New York, Newark, Philadelphia, Phoenix, Scranton and San Francisco

The Prudential Foundation works to transform underserved communities into safe, inclusive and sustainable places to live with quality housing, excellent schools, employment opportunities and a vibrant cultural, civic and economic environment. In order to promote sustainable communities and improve social outcomes for community residents, the Prudential Foundation focuses its strategy in education, economic development, and arts and civic infrastructure.

The Prudential Charter School Lending Program was created in 1997 to provide below-market rate loans to support the start-up, early operations and facilities needs of charter schools. The program is a component of Prudential Social Investments, which originates and manages investments for The Prudential Foundation and Prudential Financial, Inc. Social Investments has invested \$1.3 billion in equity and debt in nonprofit and for-profit ventures in 600 cities and 45 states. As part of its economic development financing, Social Investments supports affordable housing preservation, community revitalization and minority entrepreneurship. In addition to financing charter schools, the program's education efforts include support for other quality education initiatives.

The Prudential Charter School Lending Program has approved 110 loans, totaling \$142 million, varying widely in size and structure. It has provided loans directly to charter schools in Atlanta, Los Angeles, New York City, Philadelphia and statewide in New Jersey. In addition, it has provided funding to schools through national nonprofit financial intermediaries and CMOs, as well as statewide loan funds in California and Texas.

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## The Walton Family Foundation (WFF)

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Website: <http://www.wffhome.com>

**Market:** Nationwide, with specific interest in Arkansas and 17 urban districts

The Walton Family Foundation was established as the culmination of the philanthropic interests of the family of Sam M. and Helen R. Walton. WFF's Systemic K-12 Reform Focus Area invests in improving the academic performance of U.S. elementary and secondary students, especially in low-income communities, by supporting efforts that will shift decision-making power concerning a child's schooling to his or her family. WFF launched its Public Charter School Initiative in 1997 and currently invests in multiple strategies to increase the number of children who have access to high-quality public charter schools, including support for groups that are:

- Starting public charter schools that show potential for dramatically raising student achievement;
- Developing state and national associations that serve, protect and cultivate the public charter school movement;
- Recruiting and training leaders and teachers for public charter schools; and
- Addressing the need of public charter schools for facilities.

WFF was one of the first foundations to address facilities issues at scale. It provides facilities assistance to charter schools by working through financial intermediaries and real estate developers that support the facilities needs of multiple schools, with a focus in its seven demonstration cities: Albany, Denver, Los Angeles, Milwaukee, New Orleans, Newark and Washington, D.C. WFF has made grant and PRI commitments totaling approximately \$100 million to nine organizations, including the Brighter Choice Foundation, Building Hope, Charter School Financing Partnership, CSGF, ExED, IFF, LISC, PCSD and Southern Financial Partners. This support has helped 150 charter schools across the country complete facilities projects with total costs of \$900 million. The foundation does not provide facilities funding directly to individual charter schools. While much of WFF's strategy has been to help finance private supply to jump-start charter sectors in key cities, the foundation recognizes and is responding to the more sustainable goal of seeking equitable public funding and access to excess school facility capacity in traditional districts.

### FINANCING ORGANIZATIONS

The 20 organizations described below are community development financial institutions (CDFIs) and other nonprofit financing organizations that provide various forms of funding and financial support to charter schools for their facilities needs. Appendix A includes summary data for 18 of these organizations which have originated financing to date. A downloadable spreadsheet is also available on the EFFC's website <http://www.lisc.org/effc/2010Landscape>.

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## Bridgeway Capital (Formerly CL Fund)

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Website: <http://www.bridgewaycapital.org>

**Market:** Western Pennsylvania

Bridgeway Capital provides capital and education opportunities to entrepreneurs and small businesses in order to create employment and foster economic growth across western Pennsylvania. Founded in 1990 as a housing and social service lender, Bridgeway Capital broadened its economic impact by focusing on small business lending beginning in 1994 and making its first charter school loan in 1998. In 2008, the organization changed its name from CL Fund to Bridgeway Capital to better reflect its focus on catalyzing economic growth through business and job creation. To date, it has made 620 loans totaling \$66 million to entrepreneurs, small businesses and nonprofit organizations in western Pennsylvania, in turn leveraging \$240 million in investment. Bridgeway Capital has provided \$8.4 million in operating and capital financing for 14 charter schools, including \$4 million in facilities financing for eight charter school projects. Bridgeway Capital's investors and funders include PNC Bank, Citizens Bank of Pennsylvania, Fifth Third Bank, First National Bank, First Commonwealth Bank, the CDFI Fund, the Pennsylvania Community Development Bank, the Richard King Mellon Foundation and the Heinz Endowments.

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## Building Hope

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Website: <http://www.buildinghope.org>

**Market:** Florida and Washington, D.C. for loan, equity, real estate development and business services programs; nationwide credit enhancement program

*ED Credit Enhancement Award Total: \$5 million—Fiscal Year 2001 (America's Charter School Finance Corporation)*

Building Hope is a private foundation established in 2003 that provides technical and financial assistance related to the planning, acquisition, renovation, construction and maintenance of school facilities. Building Hope was initially capitalized with \$28 million from The Sallie Mae Fund and a \$2 million federal appropriation. In 2007, Building Hope received a \$9 million PRI and a \$1 million grant from the Walton Family Foundation to expand its program in the District of Columbia. Building Hope invests directly in real estate projects and also acts as project developer, leasing build-to-suit facilities with a purchase option. Building Hope generally contributes 10% to 20% of project financing in the form of subordinate debt, with loan terms of three to five years, 25-year amortization periods and below-market interest rates ranging between 4% and 6%.

In 2006, Building Hope merged with America's Charter School Finance Corporation. Building Hope administers its credit enhancement program through this affiliate. Funded with a \$5 million ED grant award and an additional \$2 million in credit enhancement monies from The Sallie Mae Fund, the program provides loan and lease guarantees for facilities financing and leases for public charter schools nationwide. Guarantees

are reduced over a three- to five-year term. They have an average size of \$500,000, an up-front commitment fee of 1% and an ongoing annual fee of 1%. Since its inception, Building Hope has invested \$62 million in direct loans and \$7 million in credit enhancement monies for charter school facilities projects with total costs of \$430 million. These projects have developed two million square feet of school space and created seats for 23,000 students.

In 2006, Building Hope forged a partnership with the District of Columbia's Office of the State Superintendent of Education (OSSE) to develop transitional, or incubator, facilities for charter schools in their first five years of operation. This public-private partnership, the Charter School Incubator Initiative, combines Building Hope's experience in developing charter school facilities and \$9 million in funding from OSSE, including a \$5 million ED credit enhancement grant. Currently, Building Hope manages six incubator sites, totaling 185,000 square feet with capacity to serve 1,100 students.

Building Hope also provides back office services to charter schools in Washington D.C. and Florida. Business services include: 1) finance and accounting; 2) information technology; 3) e-rate services; 4) facilities maintenance and repairs; and 4) human resources.

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### Charter School Growth Fund (CSGF)

**Website:** <http://www.chartergrowthfund.org>

**Market:** Nationwide for CSGF portfolio members

The Charter School Growth Fund is a nonprofit venture capital fund founded in 2005 to transform K-12 education by investing in outstanding entrepreneurs. CSGF's mission is to invest philanthropic venture capital in the nation's highest performing charter school operators to expand their impact on underserved students. CSGF provides financing, business planning support, coaching and other resources required to build networks of high-performing schools. CSGF is supported by leading foundations in the education sector and has received significant contributions from the Lynde & Harry Bradley Foundation, the Bill & Melinda Gates Foundation, the Michael & Susan Dell Foundation, the Doris & Donald Fisher Foundation, the Kern Family Foundation and the Walton Family Foundation.

CSGF provides multi-year grant and loan financing packages to charter school operators selected through a rigorous screening and due diligence process. CSGF structures each investment with a set of financial and non-monetary supports and employs performance milestones for annual disbursements. Since its inception, CSGF has invested in 20 organizations, selected from among 350 applicants, at an average commitment of \$3 million per investment. CSGF's portfolio members primarily operate schools in large urban districts with a history of poor performance and are on track to create 105,000 new seats during the life of CSGF's investment.

CSGF also provides start-up grant funds and short-term, low-cost facilities loans to members of its portfolio. CSGF has secured commitments

from The Broad Foundation, the Lynde & Harry Bradley Foundation and WFF to create a facilities loan fund, the CSGF Facilities Fund, which will enable its portfolio members to secure financing for construction, renovation and leasehold improvement projects critical for them to meet their growing facilities needs. This fund will provide loan guarantees, other forms of credit enhancement, substitute equity and short-term bridge loans for a variety of financing structures, including NMTC financings, QSCBs, tax-exempt bonds and commercial loans. CSGF intends to leverage the fund by recycling monies in each transaction, thus maximizing the impact for both school operators and its philanthropic investors.

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### Charter Schools Development Corporation (CSDC)

**Website:** <http://www.csdc.org>

**Market:** Nationwide

*ED Credit Enhancement Award Total: \$21.6 million—Fiscal Years 2001, 2004 and 2006*

*NMTC Allocation Total: \$40 million—Second Round (2003-2004)*

Established in 1997 and recently certified as a CDFI, the Charter Schools Development Corporation's mission is to increase learning opportunities, school choice and competition in K-12 education, especially for disadvantaged and at-risk students, by identifying and funding quality public charter schools. CSDC pursues its mission by developing financing mechanisms that create access to capital using several real estate and financial advisory programs.

CSDC's Building Block Fund (BBF) provides partial guarantees for charter school facility loan payment obligations in the form of first-loss debt service reserves and substitute equity for leasehold improvement, acquisition, renovation and construction loans, as well as lease guarantees. This \$29.6 million national revolving credit enhancement fund was capitalized with \$21.6 million in ED grant funding, a \$5 million PRI from the Kauffman Foundation and a \$3 million grant from the Daniels Fund. The Daniels Fund portion of BBF is being used as collateral for the Mountain West Charter Schools Fund (MWCSF) described below. Through BBF, CSDC has provided \$33 million in credit enhancement that has leveraged \$237 million in financing to acquire, develop or lease 2.4 million square feet of educational space. These projects helped 78 charter schools serve 21,000 students in 22 states.

Through its Turnkey Facilities Program, CSDC takes on the role of property owner, landlord and property manager and provides growing-enrollment charter schools with facilities at market or below-market rates as lease-to-purchase options. CSDC designs and builds facilities to suit the unique needs of each school's educational model, student population and budget. CSDC offers an up-front, fixed-price purchase option, which schools can exercise once finances and enrollment are able to support ownership. Through this program, CSDC has developed and leased 635,000 square feet of educational space on behalf of 16 charter schools in Indianapolis, South Bend, West Gary and East Chicago,



Indiana; Minneapolis and St. Paul, Minnesota; Cleveland and Columbus, Ohio; and Washington, D.C., with projects underway in Pennsylvania and North Carolina. Four schools have exercised their purchase options and now own their buildings.

CSDC also provides direct loans for charter school facility acquisition, renovation, construction and leasehold improvement through its Mountain West Charter Schools Fund. This \$18 million loan fund serves schools in Colorado, New Mexico and Utah and represents a four-way partnership between Vectra Bank, Raza Development Fund, the Daniels Fund and CSDC. MWCSF offers three-year term loans, with an option to extend an additional two years, an interest-only period during construction and up to 25-year amortization periods. CSDC's wholly-owned subsidiary and financial advisory arm, Charter FS, has also advised and assisted 122 client charter schools in procuring \$214 million in working capital loans and long-term financing for facilities and capital improvements via the tax-exempt bond market. CSDC has used all of its \$40 million NMTC allocation for charter school projects.

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### **Community Reinvestment Fund, USA (CRF)**

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**Website:** <http://www.crfusa.com>

**Market:** Nationwide

*NMTC Allocation Total: \$598 million—First Round (2002), Second Round (2003-2004), Third Round (2005), Sixth Round (2008) and Seventh Round (2009)*

Established in 1988, CRF promotes development in economically distressed communities by supplying capital to community development lenders. CRF purchases economic development and affordable housing loans from community development lenders and pools them into asset-backed debt securities and New Markets Tax Credit investment funds, which are then privately placed with institutional investors. CRF does not directly originate loans for charter schools; however, it has purchased five charter school loans totaling \$9 million.

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### **Excellent Education Development, Inc. (ExED)**

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**Website:** <http://www.exed.net>

**Market:** Los Angeles, Orange and San Diego counties, California

*NMTC Allocation Total: \$121 million—First Round (2002), Fifth Round (2007) and Seventh Round (2009)*

ExED was founded in 1998 to improve the quality of public education by creating access to K-12 schools with high student achievement in low-income neighborhoods through the vehicle of community-based charter schools. ExED utilized its first \$36 million NMTC allocation for the creation of the Los Angeles Charter School New Markets Loan Fund (LACSNM) to provide construction and mini-permanent facilities loans to schools in low-income Los Angeles County communities. LACSNM was the first NMTC fund designed specifically and solely for charter schools and has been fully allocated to five charter school projects serving seven charter schools. The fund was structured up-front with

\$11 million in equity and \$25 million in debt provided by Citigroup, City National, LIIF, LISC, Prudential Financial and Wells Fargo. LIIF served as underwriter and provided \$1.3 million in ED grant funds to serve as a first-loss reserve, and The Broad Foundation made a \$2 million grant to subsidize interest expense for participating schools.

ExED employed its second \$35 million NMTC allocation to finance four charter school projects that created 2,340 new charter school seats in low-income Los Angeles neighborhoods, including \$21 million for two high schools operated by Green Dot Public Schools, \$11 million for a middle and high school developed by the Alliance for College-Ready Public Schools and \$2.75 million for KIPP LA Prep. Each transaction was structured as a separate leveraged debt transaction, and U.S. Bancorp Community Development Corporation served as the equity investor in all four projects. NCB Capital Impact served as underwriter and provided the majority of the debt, with LISC, LIIF and NFF providing supplemental debt monies for two of the projects. The Broad Foundation committed a grant of \$400,000 to each of the four projects, payable to the respective CMOs over a two- to three-year period.

In 2009, ExED received a third, \$50 million, NMTC allocation for investment in charter school facilities in Los Angeles, San Diego and Orange counties in Southern California. The Walton Family Foundation also provided ExED with a \$3 million PRI to lower the cost of its NMTC financing for charter school facilities in the Los Angeles market. Additionally, WFF provided \$1.5 million in PRI funds for predevelopment lending to charter schools in Los Angeles.

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### **Housing Partnership Network (HPN)**

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**Website:** <http://www.housingpartnership.net>

**Market:** Nationwide

*ED Credit Enhancement Award Total: \$15 million—Fiscal Year 2007*

The Housing Partnership Network is a business collaborative of 97 of the nation's leading housing and community development nonprofits. By sharing entrepreneurial practices and pooling resources, HPN achieves greater impact in building sustainable homes and communities. Network members are on-the-ground practitioners that develop partnerships, obtain capital and create strategies and cooperative ventures that respond to changing regulatory, policy and economic environments.

In 2007, HPN was awarded a \$15 million ED credit enhancement grant on behalf of a consortium of community development charter school lenders to provide \$90 million in long-term tax-exempt bond financing for charter school facilities. Following receipt of the award, the consortium formed the Charter School Financing Partnership (CSFP), a limited liability company owned and managed by its members, including the Low Income Investment Fund, NCB Capital Impact, The Reinvestment Fund, Raza Development Fund, Community Reinvestment Fund and HPN. CSFP contracts with HPN to manage the company.

Through CSFP, an established charter school seeking permanent facilities financing will work with one of CSFP's members and an investment banking firm to underwrite the transaction and issue the bonds. CSFP will use its ED grant and a PRI from the Walton Family Foundation to provide a pooled supplemental credit reserve that will help individual charter schools obtain investment grade credit ratings and correspondingly lower interest rates than would otherwise be available. By creating a standard process and pooling its reserves, CSFP will provide schools with an affordable way to access the tax-exempt bond market, which may be costly for a school with a smaller offering. Each charter school that obtains financing through CSFP will maintain a relationship with the originating member for the life of the financing. The member will retain a small piece of the financing as an investment and will act as servicer. Schools interested in the CSFP program may contact one of the individual members or HPN directly.

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### **IFF (formerly Illinois Facilities Fund)**

**Website:** <http://www.iff.org>

**Market:** Illinois, Indiana, Iowa, Missouri and Wisconsin

*ED Credit Enhancement Award Total: \$18 million—Fiscal Years 2005 and 2007*

*NMTC Allocation Total: \$10 million—First Round (2002)*

IFF was established in 1988 as the Illinois Facilities Fund to offer financial and real estate services to nonprofit organizations in Illinois. IFF assisted the first Chicago charter schools in establishing their operations and locating or rehabilitating their facilities. In 2008, the Illinois Facilities Fund changed its name to IFF and adopted a five-year strategic plan expanding its lending and real estate services to four additional states in the Midwest. IFF serves the nonprofit sector in the Midwest by providing capital and real estate consulting services to help nonprofit organizations acquire or improve their facilities and by conducting research for targeted sectors, such as charter schools, early care and education.

IFF provides financing for charter school facilities through its Charter Schools Capital Program (CSCP). CSCP provides ancillary real estate services, including project feasibility, site selection and project management as well as financing for charter school facilities projects. CSCP serves schools with facilities projects under \$1.5 million through a loan program capitalized with a \$2 million grant from Chicago Public Schools and additional funds from The Chicago Community Trust, Circle of Service Foundation, the Walton Family Foundation and various other financial institutions. IFF has made below-market loans to charter schools totaling \$40 million through this program. Eligible uses include predevelopment, acquisition, construction, renovation, leasehold improvements and equipment and vehicle purchases, with loans ranging in size from \$10,000 to \$1.5 million and terms of up to 15 years.

In addition, with \$18 million in grant funds from ED, CSCP includes a credit enhancement program for tax-exempt bonds and other structured debt packages for charter schools with facilities projects of over \$1.5 million for both leased and owned facilities. Through this program, IFF

provides additional security for long-term, tax-exempt bond issuances with terms of up to 30 years. In August 2006, IFF provided 10% credit enhancement on an \$18.7 million bond offering for the Noble Network of Charter Schools and UNO (United Neighborhood Organization) Charter School Network to renovate four new campuses and refinance debt on two existing campuses. In 2009, IFF provided credit enhancement and direct loans for several facilities projects, including a NMTC financing, a private placement bond project with a local bank and a bank loan. These projects totaled \$38.2 million for three schools. To date, IFF's CSCP program has helped leverage \$202 million in financing for 46 charter schools in four states.

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### **Innovative Schools Development Corporation (ISDC)**

**Website:** <http://www.innovativeschools.org>

**Market:** Delaware

In 2002, The Rodel Charitable Foundation of Delaware founded and provided start-up support to the Innovative Schools Development Corporation. Originally designed to operate a charter school loan guaranty fund and leverage capital financing, ISDC has expanded into a resource center for Delaware public schools, providing 23 traditional and charter public schools with start-up, academic and administrative support in addition to financing.

ISDC provides services in the areas of new school development, professional development, back office services and facilities financing. ISDC provides guarantees for facilities loans for new construction, renovations and major capital improvements. ISDC has provided \$9 million in credit enhancement leveraging \$25 million in financing for seven charter schools through 2009. In addition to The Rodel Charitable Foundation of Delaware, ISDC's Loan Guaranty Fund is supported by the MBNA Foundation (now Bank of America), The Longwood Foundation and The Welfare Foundation.

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### **KIPP Foundation**

**Website:** <http://www.kipp.org>

**Market:** Nationwide, KIPP and partner schools

*ED Credit Enhancement Award Total: \$6.8 million—Fiscal Year 2006*

The KIPP (Knowledge Is Power Program) Foundation is a nonprofit organization that supports a nationwide network of 82 college preparatory charter schools. The KIPP Foundation recruits, trains and supports leaders to open locally-run KIPP schools in high-need communities. The KIPP Foundation does not manage KIPP schools, but is responsible for managing the growth of the KIPP network, supporting excellence and sustainability across the network and coordinating national innovation efforts. Each KIPP school is run by a KIPP-trained school leader and governed by a local board of directors. KIPP schools are located in under-resourced communities throughout the United States and currently serve 21,000 students. Nationally, 80% of KIPP students come from low-income families and 90% are African-American or Latino. To date, 85% of KIPP alumni have matriculated to college.

The KIPP Foundation has used its ED grant award, together with a 10% match from its own funds, to create the KIPP Credit Enhancement Program (KCEP), which seeks to leverage up to \$40 million in affordable facility financing and leases. KCEP consists of three programs that support charter schools within the KIPP network, as well as those of select partner schools led by school leaders who have completed the KIPP School Leadership Program. KCEP Power to Leverage is a \$4.2 million guaranty program that directly employs ED grant funds to expand access to and/or improve terms for facility financing or leases. KCEP Mortgage is a \$15 million mini-permanent fund for acquisition and construction take-out loans for owned properties that is secured with \$1.8 million in ED grant funds. It is capitalized with \$10 million from Prudential Social Investments, \$3 million from LISC and \$2 million from Building Hope. KCEP Leasehold Improvement and Construction is a \$10 million program for construction financing for leased or owned properties and mini-permanent or permanent leasehold improvement loans. It is capitalized with \$10 million from NCB Capital Impact and secured with \$1.5 million in ED grant funds. Through 2009, KCEP has employed \$2.6 million in credit enhancement to help nine KIPP schools secure a total of \$11.4 million in financing and \$23.9 million in leases to meet their facilities needs.

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### **Local Initiatives Support Corporation (LISC) Educational Facilities Financing Center (EFFC)**

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**Website:** <http://www.lisc.org/effc>

**Market:** Nationwide

*ED Credit Enhancement Award Total: \$26.5 million—Fiscal Years 2003, 2004, 2006 and 2009*

*NMTC Allocation Total: \$623 million—First Round (2002), Third Round (2005), Fourth Round (2006), Fifth Round (2007), Sixth Round (2008) and Seventh Round (2009)*

Local Initiatives Support Corporation is dedicated to helping nonprofit community-based organizations transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity. Since 1980, LISC has mobilized \$9.7 billion in corporate, government and philanthropic support to provide local organizations with the capital, policy support and technical assistance necessary to build or rehabilitate 271,000 affordable homes and 40 million square feet of retail, community and educational space with total development costs of \$31.3 billion.

LISC supports quality public charter schools in low-income neighborhoods by providing on-the-ground assistance to individual charter schools through LISC's network of 30 local offices and by developing educational funds that finance multiple schools in specific markets through its Educational Facilities Financing Center. Since making its first charter school grant in 1997, LISC has closed \$98 million in grants, loans or guarantees for 130 individual schools across the country. LISC offers technical assistance to charter schools through its local

offices. LISC provides short-term acquisition and construction loans with an interest-only period as well as mini-permanent financing with a seven-year term and up to a 20-year amortization period. LISC has provided \$44 million in direct financing for charter schools through its local offices.

LISC founded the EFFC in 2003 to intensify its support of quality public charter schools through the development of local facilities funds and nonprofit charter school networks. LISC has raised over \$70 million in grants and loans for this initiative, including \$23 million from the Walton Family Foundation, \$20 million from Prudential Financial, \$27 million from ED and \$950,000 from the Bill & Melinda Gates Foundation. The BMGF grant to LISC was made in concert with a \$30 million program-related investment BMGF made in a bond credit enhancement fund for high-quality CMOs in the Houston market.

With its first \$10 million ED grant, the EFFC created a \$35 million National Education Loan Fund which has been fully committed. In 2006, the EFFC received \$8.2 million from ED to capitalize a National Credit Enhancement Fund that it employs for the creation of additional local funds, and in 2009, the EFFC received an \$8.3 million award from ED to credit enhance bond issuances and commercial loans for charter school facilities. The EFFC also provides predevelopment recoverable grants for charter school facility projects through a \$4.1 million Educational Seed Grant Fund. To date, the EFFC has closed \$52 million in loan and guaranty investments in 15 local funds, together with \$1.2 million in companion grants that have helped leverage \$367 million in financing for 66 schools. LISC has also employed \$30 million of its NMTC allocation on behalf of charter schools and served as leveraged lender on other NMTC transactions.

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### **Low Income Investment Fund (LIIF)**

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**Website:** <http://www.liifund.org>

**Market:** California, Massachusetts, New Jersey, New York, Pennsylvania, Washington, D.C. and case-by-case nationally

*ED Credit Enhancement Award Total: \$8 million—Fiscal Years 2001 and 2007*

*NMTC Allocation Total: \$139 million—Fifth Round (2007), Sixth Round (2008) and Seventh Round (2009)*

Established in 1984, LIIF provides capital and technical assistance in low-income communities to finance facilities for housing, child care, education and other community revitalization activity. To date, LIIF has provided \$825 million in capital to 26 states, with a focus on the California and New York markets, leveraging \$5.2 billion in investments. In 1999, LIIF began financing charter schools in response to growing demand in low-income neighborhoods. Since then, LIIF has provided loans to 60 charter schools totaling \$147 million (including \$56 million of its own loan monies and \$91 million from other lenders) for the acquisition, construction and renovation of both leased and owned facilities. LIIF has also provided approximately \$43 million of working capital loans to 75 charter schools.

LIIF employed its first \$3 million ED grant as a loan loss reserve for two pooled loan funds, which together leveraged \$71 million in private capital from a variety of lenders, offering terms of up to seven years and amortization periods of up to 25 years. LIIF provided \$1.3 million in ED grant funds to secure lenders to the Los Angeles Charter School New Markets Fund, which financed construction and mini-permanent facilities loans for five charter school projects in Los Angeles. LIIF used \$1.7 million in ED grant funds to secure lenders participating in the Fund for Schools and Communities, a \$35 million loan fund that provided construction and mini-permanent financing for charter schools in low-income communities in California.

LIIF used its second \$5 million ED grant to credit enhance two master lines of credit totaling \$40 million—a \$25 million construction line of credit and a \$15 million acquisition line of credit—and a stand-alone loan of \$4 million. To date, these financings have supported facilities for four charter schools and helped create 1,900 student seats in California. LIIF has also used \$26.5 million of its NMTC allocation for charter school projects.

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### **NCB Capital Impact Corporation (Formerly NCB Development)**

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**Website:** <http://www.ncbcapitalimpact.org>

**Market:** Nationwide

*ED Credit Enhancement Award Total: \$28 million—Fiscal Years 2001, 2003, 2004 and 2005 (\$10 million in Fiscal Year 2001 and 2004 grants were jointly awarded to NCB Capital Impact, The Reinvestment Fund, Inc. and FOUNDATIONS, Inc.; \$10 million Fiscal Year 2005 grant was jointly awarded to NCB Capital Impact and the California Charter Schools Association)*

*NMTC Allocation Total: \$409 million—Second Round (2003-2004), Fourth Round (2006), Fifth Round (2007), Sixth Round (2008) and Seventh Round (2009)*

NCB Capital Impact provides technical assistance and access to capital for low- and moderate-income communities. Since 1995, NCB Capital Impact has originated \$400 million in facilities financing to 150 charter schools in 12 states and the District of Columbia. It provides loan monies for the acquisition, renovation, construction and leasehold improvement of charter school facilities, as well as technical assistance to charter school developers. NCB Capital Impact has also utilized \$87 million in NMTCs for charter school facilities.

In 2002, NCB Capital Impact partnered with The Reinvestment Fund, Inc. and FOUNDATIONS, Inc. to create the Charter School Capital Access Program (CCAP), which financed facilities for charter schools in the Mid-Atlantic region, including Washington, D.C., New York, New Jersey, Pennsylvania and Delaware. NCB Capital Impact utilized \$6.4 million in ED grant funds to serve as a loan loss reserve for this \$45 million local fund, which provided fixed-rate loans ranging between \$500,000 and \$4.5 million. This program is no longer originating new transactions, and unallocated credit enhancement dollars are used for other charter

schools transactions in the same geographic footprint. NCB Capital Impact and TRF are using the remaining \$3.6 million of this grant to support on-balance sheet construction lending to charter schools.

In 2005, NCB Capital Impact used \$6 million of an \$8 million ED grant to establish The Enhancement Fund (TEF), in partnership with a major pension fund. This \$60 million fund is providing capital to charter school facilities projects in Florida, Georgia, Michigan, Minnesota, Ohio and Wisconsin. TEF offers loans of up to \$8 million with terms and amortizations of up to 25 years and fixed or variable interest rates. These loans may be used for acquisition, renovation, construction or leasehold improvement projects. The balance of the grant is used to provide credit enhancement to construction, leasehold improvement and NMTC transactions in the same geographic area.

NCB Capital Impact is using its joint \$10 million 2005 ED grant award with the California Charter Schools Association for the California Charter Building Fund (CCBF). CCBF finances leasehold improvements, acquisition, construction and renovation projects for charter schools in California through partnerships with multiple investors. It has primarily been used to enhance NMTC transactions to date.

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### **New Jersey Community Capital**

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**Website:** <http://www.newjerseycommunitycapital.org>

**Market:** New Jersey primarily and case-by-case nationally

*ED Credit Enhancement Award Total: \$8.2 million—Fiscal Year 2006*

*NMTC Allocation Total: \$50 million—First Round (2002) and Sixth Round (2008)*

New Jersey Community Capital is the trade name used by Community Loan Fund of New Jersey, Inc. and its affiliated entities for its financial and consulting products and services. Since its founding in 1987, New Jersey Community Capital has committed financing for 680 projects totaling \$260 million in the housing, community services and small business sectors. Since 2004, New Jersey Community Capital has provided \$26 million in financing for 12 charter schools and 18 campuses, primarily located in New Jersey. New Jersey Community Capital also utilized \$6 million of its NMTC allocation for three of these projects—North Star Academy, TEAM Academy and the Marion P. Thomas Charter School—and intends to use a significant portion of its most recent \$35 million 2008 allocation for charter school facilities.

New Jersey Community Capital is utilizing its ED grant to credit enhance leases, acquisition and construction loans and permanent mortgage financing for charter schools located in New Jersey communities where the public schools have been identified as in need of improvement, corrective action or restructuring under Title I of the Elementary and Secondary Education Act. It is also using a portion of its grant award to enhance permanent mortgages for charter schools operating nationally and has partnered with Prudential Financial, PNC Bank, Sun National Bank, Bank of America, RSF Social Finance, NCB Capital Impact, GRF, TRF, LIIF, Boston Community Capital and others in

the community finance industry for this facet of the grant. To date, New Jersey Community Capital has employed its federal grant to leverage \$77 million in public, philanthropic and private sector financing from an array of sources, including the State of New Jersey, foundations, banks, CDFIs, insurance companies and pension funds.

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### **Nonprofits Assistance Fund**

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**Website:** <http://www.nonprofitsassistancefund.org>

**Market:** Minnesota

The Nonprofits Assistance Fund provides financing, financial training and consulting services for nonprofits in Minnesota and its adjacent communities. Since 1980, Nonprofits Assistance Fund has provided 1,800 loans totaling \$73 million to strengthen the operation and mission of nonprofits, including charter schools. Financing of up to \$500,000 is available for bridge loans, working capital, program expansion, equipment purchases, leasehold improvements and facility projects.

The organization began financing charter schools in 2000 and has since provided \$12.5 million to 52 schools, including \$5 million for 19 facilities projects. Five of these financings were for acquisitions and 14 were for leasehold improvements. The Nonprofits Assistance Fund provides working capital loans and lines of credit to stabilize a school's cash flow and offers terms of three to five years and interest rates of 5.5% to 9%, depending on the type, amount and term of the loan.

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### **Nonprofit Finance Fund (NFF)**

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**Website:** <http://www.nonprofitfinancefund.org>

**Market:** Northeast, Midwest, Mid-Atlantic, West Coast

*NMTC Allocation Total: \$130 million—Fourth Round (2006), Sixth Round (2008) and Seventh Round (2009)*

Nonprofit Finance Fund works to create a strong, well-capitalized and durable nonprofit sector by providing financing, consulting and advocacy services to nonprofit organizations and funders. Since its founding in 1980, NFF has worked with thousands of nonprofits and provided \$200 million in loans and \$60 million in NMTC financing, leveraging \$1 billion of capital investment on behalf of its nonprofit clients.

NFF works with nonprofit organizations across many sectors with one of its focus areas being children and youth services, including education. Since 2002, NFF has provided \$14.5 million in financing to 38 charter schools in Massachusetts, New Jersey, New York, California and Washington, D.C. NFF's loans range in size from \$100,000 to \$2.5 million, with terms of up to seven years and amortizations of up to 15 years, and potentially longer on a case-by-case basis. Eligible uses include acquisition, new construction, renovation, leasehold improvement and working capital. In addition to providing loan monies, NFF has utilized its \$130 million NMTC allocation to finance nonprofit facility projects across the country, including arts, human service and charter

school projects. As of December 2009, NFF has deployed \$7.5 million of its NMTC allocation for one charter school project in Detroit and provided leveraged loans to other NMTC projects.

Through NFF Capital Partners, NFF provides technical assistance and advisory services to nonprofits pursuing significant growth strategies. NFF Capital Partners has worked with ten clients on comprehensive engagements to draft business plans and prospectuses to secure \$92 million in growth capital, 40% for youth and education organizations. In addition, in 2009, NFF established a \$1.6 million loan pool dedicated to providing low-cost predevelopment loans for nonprofit real estate or program expansion.

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### **Partners Advancing Values in Education (PAVE)**

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**Website:** <http://www.pave.org>

**Market:** Milwaukee, Wisconsin

PAVE seeks to provide educational opportunity for low-income families in Milwaukee. Founded in 1992, PAVE originally fulfilled this mission through the provision of scholarships to low-income families. The organization has invested \$27 million in scholarships for 17,000 families to date. In 2001, PAVE became certified as a CDFI, and with a \$20 million, five-year matching grant from the Lynde & Harry Bradley Foundation, launched its Capital Investments Program to expand the capacity of high-performing urban schools in Milwaukee. Since 2001, PAVE has invested \$16 million in school expansion projects, leveraging \$60 million in private investment for the development of high-performing urban schools. In 2009, PAVE unveiled a new strategic plan that seeks to increase the number of schools that can demonstrate excellence in educating children from low-income families in Milwaukee, and in 2010, PAVE will work with three "excellent" schools to expand their services and five to seven schools with the "potential for excellence" to improve their programs.

In addition to other schools of choice, PAVE has supported expansion projects for eight high-quality charter schools, including Milwaukee College Preparatory School. PAVE has directly invested \$3.3 million and leveraged \$9 million in financing from Lincoln State Bank, North Milwaukee State Bank, Park Bank and IFF on behalf of these schools. PAVE restricts eligibility for capital funding to schools that have a demonstrated record of successfully educating children from low-income families and limits its facilities financing activity to four or five projects at any given time. The program's capital projects are typically in the \$4 million range, with PAVE providing 5% to 10% of the project cost in direct assistance. PAVE also provides consulting services in the areas of facilities development, business and strategic planning, program development and leadership development for schools serving low-income students in Milwaukee.

## Raza Development Fund, Inc. (RDF)

**Website:** <http://www.razafund.org>

**Market:** Nationwide, markets with low-income and disadvantaged student populations

*ED Credit Enhancement Award Total: \$14.6 million—Fiscal Years 2001, 2004 and 2006*

Raza Development Fund, Inc., a support corporation of the National Council of La Raza (NCLR), was established in 1998 as the community development lending arm for the NCLR. RDF's mission is to invest capital and create financing solutions to increase opportunities for the Latino community and low-income families in the areas of quality educational opportunities, affordable housing and access to quality primary health care. To date, RDF has provided capital to 200 organizations, funding loans totaling \$139 million. This financing has leveraged \$800 million in private capital for projects serving low-income families and individuals.

RDF provides predevelopment, leasehold improvement, acquisition, construction and mini-permanent loans to charter schools, along with technical assistance for business, growth and facility planning. In addition, RDF employs its \$14.6 million in ED grant funds to provide guarantees for both leases and loans to charter school landlords and lenders. Since its inception, RDF has approved \$53 million in direct financing for 55 charter schools, CMOs and nonprofit real estate developers to acquire or construct facilities in 18 states, resulting in the creation of 28,200 new student seats. This financing has supported facilities projects with total costs of \$170 million, leveraging additional support and financing from traditional lenders, including Bank of America, Wells Fargo Bank, Citibank, JPMorgan Chase Bank, Prudential Social Investments and State Farm Insurance Company.

## Self-Help (Center for Community Self-Help)

**Website:** <http://www.self-help.org/business-and-nonprofit-loans/who-we-lend-to-1/charter-schools>

**Market:** Nationwide

*ED Credit Enhancement Award Total: \$10.2 million—Fiscal Years 2003, 2004 and 2006*

*NMTC Allocation Total: \$220 million—First Round (2002), Third Round (2005) and Sixth Round (2008)*

Self-Help and its financing affiliates Self-Help Credit Union, Self-Help Federal Credit Union and Self-Help Ventures Fund provide financing, technical support and advocacy to those left out of the economic mainstream. Since its founding in 1980, Self-Help has invested \$5.6 billion in financing on behalf of 62,300 families, individuals and organizations.

Self-Help entered the charter sector in 1997 and has since provided \$106 million in facilities financing to 43 charter schools in 11 states and Washington, D.C. Self-Help loans are available to charter school operators and/or affiliates and landlords that provide real estate or man-

agement services to charter schools. Self-Help offers acquisition, renovation, leasehold improvement, construction and mini-permanent loans for facilities projects, including the purchase or leasing of modulares. There is no cap on loan size, and priority is given to charter schools serving low-income and at-risk students. Self-Help offers interest-only, variable-rate construction loans and fixed-rate permanent loans with 15- to 20-year amortizations and five- to 20-year terms. Interest rates are generally at market, although charter schools serving at-risk students may qualify for lower rates.

Self-Help is utilizing \$10.2 million in ED grant funds as credit enhancement to make higher risk loans, provide more favorable terms to charter schools and expand its geographic focus. To date, the grant funds have leveraged \$83 million and assisted 35 schools in financing their facilities. Self-Help has committed half of its \$220 million NMTC allocation to charter school projects and has closed \$62 million in low-interest NMTC loans to 25 charter schools.

## The Reinvestment Fund, Inc. (TRF)

**Website:** <http://www.trfund.com>

**Market:** Mid-Atlantic Region (Delaware, Maryland, New Jersey, Pennsylvania and Washington, D.C.)

*ED Credit Enhancement Award Total: \$20 million—Fiscal Years 2001, 2004 and 2005 (\$10 million in Fiscal Year 2001 and 2004 grants were jointly awarded to The Reinvestment Fund, Inc., NCB Capital Impact and FOUNDATIONS, Inc.)*

*NMTC Allocation Total: \$279 million—Second Round (2003-2004), Fourth Round (2006), Sixth Round (2008) and Seventh Round (2009)*

The Reinvestment Fund builds wealth and opportunity for low-wealth people and places through the promotion of socially and environmentally responsible development. Founded in 1985 as a community development organization working in Greater Philadelphia, TRF now serves the Mid-Atlantic region, working with a diverse network of investors and business partners to galvanize private initiative and capital for investment in homes, schools, businesses and a clean energy future. TRF has provided \$900 million in capital to 2,500 housing, economic development, business and educational ventures.

TRF began financing charter schools in 1997 and has since provided \$165 million in facilities financing to 45 charter schools. In addition, it has provided \$11 million in cash flow financing to 18 charter schools. Together, these schools educate 29,700 students, the majority of which qualify for the free and reduced-price lunch program. Facility loan funds are available for predevelopment, acquisition, renovation, construction, leasehold improvements and energy efficient enhancements of charter school facilities in TRF's footprint. In addition to financing, TRF provides ancillary services, such as guidance in planning energy efficient upgrades and reducing energy costs, as well as technical assistance regarding project feasibility.

In addition to its Core Loan Fund, TRF established two facilities loan funds for charter schools with its ED grants that allow TRF to make loans with higher risk profiles. In 2001, TRF partnered with NCB Capital Impact and FOUNDATIONS, Inc. to create the Charter School Capital Access Program. This \$45 million loan fund, administered by NCB Capital Impact, was credit enhanced with \$6.4 million in ED grant funds. In 2006, TRF established a second loan program totaling \$60 million, supported by \$10 million in grant funds from ED, which provides subordinate debt, leasehold financing and NMTC mortgages. TRF utilizes its NMTC allocation for charter school facility financing, offering larger loans with favorable terms. TRF has provided \$29.4 million in NMTC financing for four charter schools. TRF Energy also finances and offers incentives for energy efficient building systems.

## REAL ESTATE DEVELOPERS

Nonprofit developers provide design, construction, project management and turnkey development services to charter schools. They then engage in either the lease or sale of the facilities to charter schools. Developers may additionally secure financing for development.

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### Charter Schools Development Corporation

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**Website:** <http://www.csdc.org>

See “Charter Schools Development Corporation” under “Financing Organizations.”

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### Civic Builders (Civic)

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**Website:** <http://www.civicbuilders.org>

**Market:** New York City, Newark

*ED Credit Enhancement Award Total: \$8.3 million—Fiscal Year 2008*

Civic Builders was founded in 2002 as a nonprofit facilities developer for charter schools in New York City. Civic has developed or is in the process of developing, 620,000 square feet of educational space for 11 charter school projects with total costs of approximately \$340 million. These facilities will serve 5,600 students in Harlem, the Bronx and Brooklyn. In 2008, Civic Builders expanded its services into the Newark, New Jersey charter school market with the launch of a new development for North Star Academy College Preparatory High School, a member of the Uncommon Schools network of charter schools.

By assuming ownership of a school's facility, Civic Builders becomes a steward of the real estate asset, ensuring that the building will continue to be occupied by a charter school should the school's charter not be renewed. Civic's leases include academic standards, enabling Civic to terminate the lease of a chronically underperforming charter school.

Civic's projects are funded from a variety of sources, including private philanthropy, the New York City Department of Education, commercial lenders, community development lenders and other city, state and federal government subsidies. Civic has raised \$20 million in philanthropic support, including grants from the Michael & Susan Dell Foundation and

The Broad Foundation. Civic has also been a primary partner in Mayor Bloomberg's support for charter school facilities in New York City, which included an appropriation of \$250 million in the city's Fiscal Year 2005-2009 capital plan and a \$210 million appropriation in the city's Fiscal Year 2010-2014 capital plan. To date, Civic Builders has accessed over \$200 million in city capital.

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### Pacific Charter School Development (PCSD)

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**Website:** <http://www.pacificcharter.org>

**Market:** California

Pacific Charter School Development was founded in 2003 and incubated by the NewSchools Venture Fund to serve as a nonprofit developer and landlord for high-quality charter schools. PCSD focuses its efforts on neighborhoods with schools that are chronically overcrowded, large and academically low-performing and that have high concentrations of low-income and at-risk students. PCSD locates, acquires, finances and builds facilities and then leases them to charter schools with proven track records. PCSD works with schools so that they eventually own the facilities, which allows it to recycle equity for the development of future schools. To date, PCSD has built and/or renovated 33 schools on 23 campuses serving 12,300 students. It plans to develop 18 additional campuses for 22 schools that will serve 11,100 students over the next three years, for a total of 23,000 new student seats by 2012.

PCSD's current clients include six high-performing CMOs in California: Alliance for College-Ready Public Schools, Aspire Public Schools, Green Dot Public Schools, ICEF Public Schools, KIPP LA and Partnerships to Uplift Communities Schools. It also provides construction management and facilities consulting services to other schools and school reform leaders.

PCSD has received \$38.6 million in grants and PRIs to serve as equity in its projects and an additional \$2.4 million in grants for operational support. The Walton Family Foundation, The Broad Foundation and the Bill & Melinda Gates Foundation have contributed \$16.7 million, \$13.5 million and \$6.9 million, respectively. Additional support has been provided by NewSchools Venture Fund, The Ahmanson Foundation, Pisces Foundation, LISC and the Weingart Foundation.

## TAX-EXEMPT BOND MARKET

The tax-exempt bond market is an attractive source of financing for charter school facilities. Interest rates on these bonds are lower than traditional commercial loans due to their tax-exemption, and schools can fix these lower rates over a longer, fully amortizing term, generally up to 35 years. Longer repayment terms allow charter schools to grow enrollment and revenues to full capacity without incurring large annual debt service expenses that can drain program resources.

Tax-exempt bonds are broadly classified as either general obligation (GO) bonds or revenue bonds. GO bonds are secured by the full faith and taxing power of the issuing government and are considered the strongest of all tax-supported debt structures. Revenue bonds are secured by a defined revenue stream, such as municipal utility fees, gas taxes, tolls or, in the case of charter schools, per pupil revenues. Charter schools have primarily financed their facilities with revenue bonds that have been issued through a conduit agency authorized by the state in which the school operates.

In order to achieve higher credit ratings and lower interest rates, many charter schools utilize credit enhancement to further secure their bond offerings. Credit enhancement can involve the substitution of a stronger third-party's credit, as in the case of bond insurance and letters of credit, or it can involve specific collateral pledged for repayment of the bonds, as in the case of additional debt service reserves or partial guarantees. Such enhancement reduces repayment risk and thus lowers interest rates. Two states, Colorado and Indiana, allow the use of a moral obligation (MO) pledge, a form of credit enhancement, in connection with charter school revenue bonds. With this pledge, the state

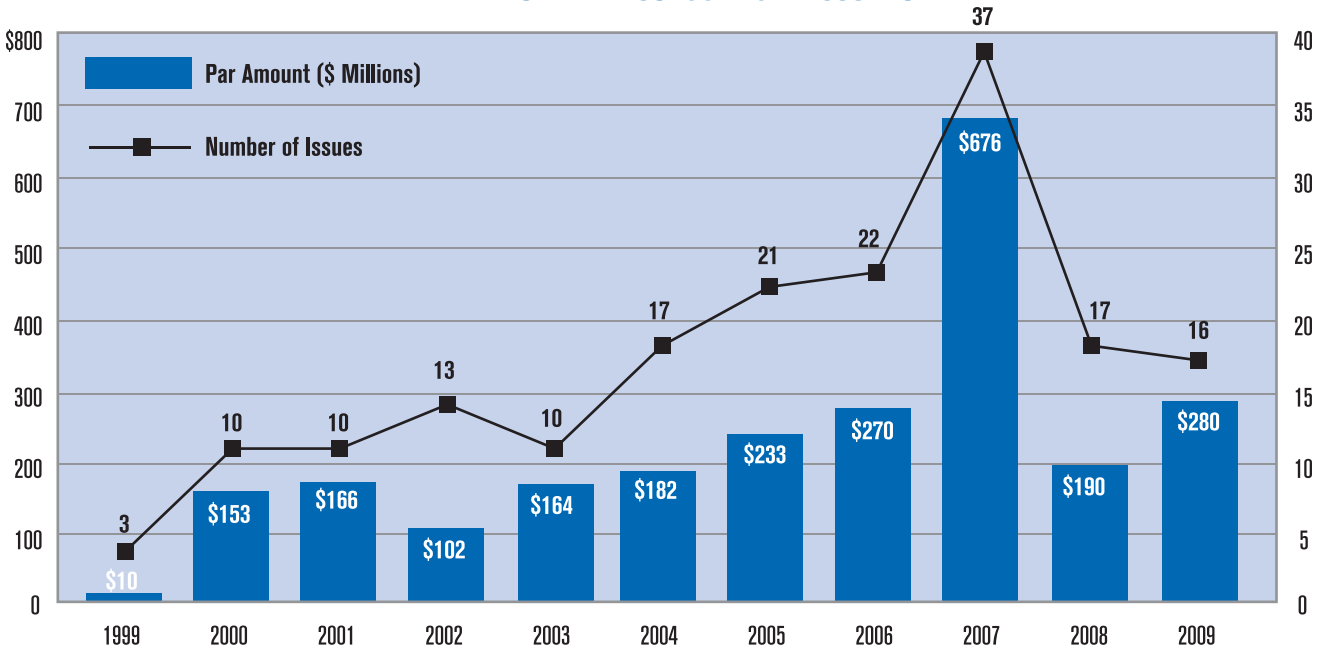
or municipality is legally authorized, although not required, to make an appropriation out of general revenues to replenish a debt service reserve fund that has been drawn upon to meet debt service payments to bondholders in the event a charter school is unable to make its scheduled payments. This MO pledge effectively substitutes the credit strength of the state or municipality for that of the charter school, resulting in significant interest savings.

As of year-end 2009, a total of 176 charter school facility bond issuances totaling \$2.4 billion have been rated by the three major rating agencies: Fitch Ratings, Moody's Investor Services and Standard & Poor's. Unrated charter school bond issuances, estimated to number between 150 and 200 over the same period, are outside the scope of this study and will be addressed in future EFFC publications.

## MARKET OVERVIEW

The municipal bond market is primarily an investment grade market. Historically, many borrowers of tax-exempt debt purchased insurance or some other form of credit enhancement to obtain higher ratings and lower interest rates, and several bond insurance companies collectively had a substantial presence in the market. However, as the bond insurers' losses on collateralized debt obligations and other structured financial products mounted in early 2008, their ratings began to deteriorate. Over the past two years, every municipal bond insurer active in the tax-exempt market in 2007 was downgraded, in some cases multiple times. These downgrades dampened investor appetite for municipal bonds generally, for both insured and uninsured issues, with interest rates increasing and issues rated "A" or below paying historically large premiums.

### RATED CHARTER SCHOOL BOND ISSUANCE<sup>1</sup>



<sup>1</sup> These 176 issues represent all rated charter school issues identified utilizing the Municipal Security Rulemaking Board's EMMA (Electronic Municipal Market Access), Bloomberg L.P., information provided by the individual rating agencies and data collected and shared with the EFFC by the Foundation for Education Reform & Accountability and RBC Capital Markets.



Higher-credit quality charter schools had been increasingly able to access the tax-exempt market on attractive terms through 2007, with roughly half utilizing some form of credit enhancement. However, the collapse of the insurers had a disproportionately negative effect on charter school issuance. With investors wary of all but the highest-rated securities and the three most active charter school bond insurers—ACA Financial, CFIG Assurance and XL Capital Assurance—either downgraded to junk bond status or no longer rated, charter schools were unable to access the tax-exempt market at any price during parts of 2008. Between 2007 and 2009, the use of tax-exempt financing, both rated and unrated, for charter schools declined dramatically. Dollar volume of rated bond issuance fell from a high of \$676 million in 2007 to less than a third of that amount in 2008, and remained well below 2007 levels in 2009. The number of transactions showed a similar decline, from 37 in 2007 to 17 in 2008 and 16 in 2009. Over this same period, interest rates steadily rose, with interest rates peaking at over 9% for some charter school borrowers in the early part of 2009. The chart above depicts annual rated issuance activity in terms of both the number of issues and the total par amount issued for the period between 1999 and 2009.

### BOND ISSUE RATINGS

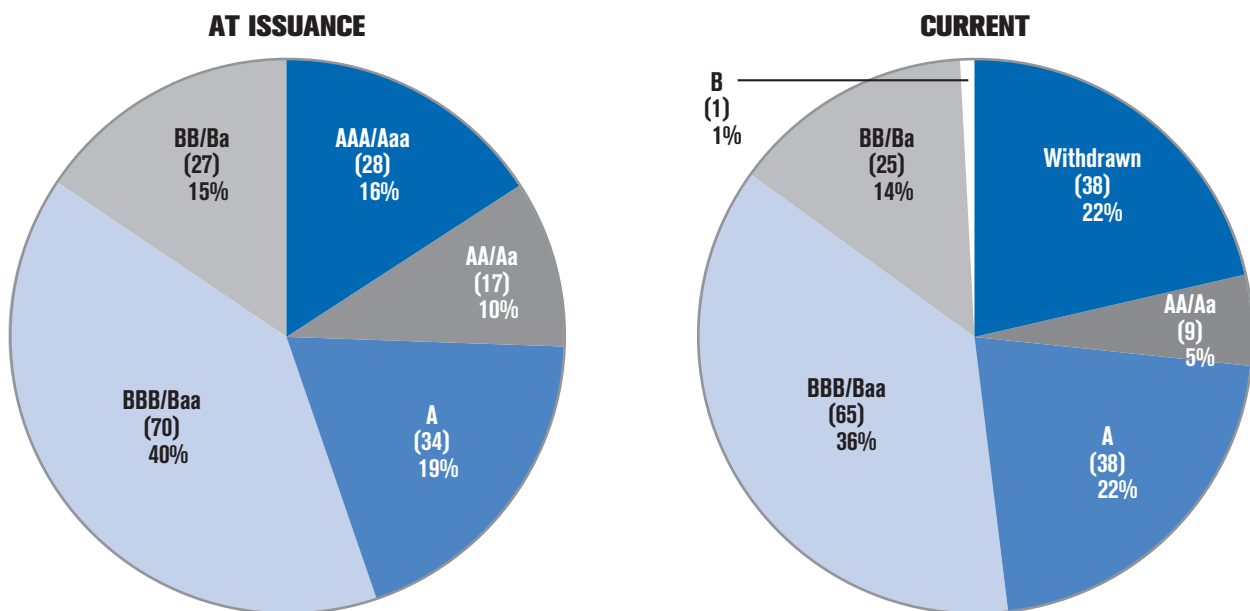
The graphs below illustrate the initial and current ratings for all 176 bond issues, including both those that were rated with criteria based only on the charter school's credit (unenanced) and those which obtained higher ratings based on the strength of additional credit enhancement (enhanced). See Appendix C for the municipal bond rating scales employed by the three rating agencies.

For the purposes of this study, an “enhanced” rating is one stemming from any security pledge—often that of a third party—in addition to revenues from the charter school itself. An “unenanced” rating is an underlying rating of the charter school, excluding any other security which may be part of the bond issue. For example, many Colorado issuances have three ratings: an enhanced rating provided by the credit strength of a bond insurance company; an underlying rating for the issue provided by the state’s moral obligation pledge; and an underlying rating for the individual school. Any discussion of “unenanced” or “underlying” ratings in this study refers to the third category, the rating for the school. Appendix B to this study includes specific data for these 176 rated bond offerings, including the data below:

- Dated date
- State
- Issuer
- School
- Par amount
- Credit enhancement, if any
- Rating agency
- Enhanced rating at time of issuance, if applicable
- Unenhanced rating at time of issuance
- Current enhanced rating, if applicable
- Current unenhanced rating

A downloadable spreadsheet is also available on the EFFC's website <http://www.lisc.org/effc/2010Landscape>.

### CHARTER SCHOOL BOND ISSUE RATINGS' (Including enhanced ratings, where applicable)



<sup>1</sup> Current ratings are those as of March 12, 2010, and issuances with ratings from more than one agency are shown using the lower of the ratings, where applicable.

**BREAKDOWN OF ENHANCED AND UNENHANCED BOND ISSUANCE**

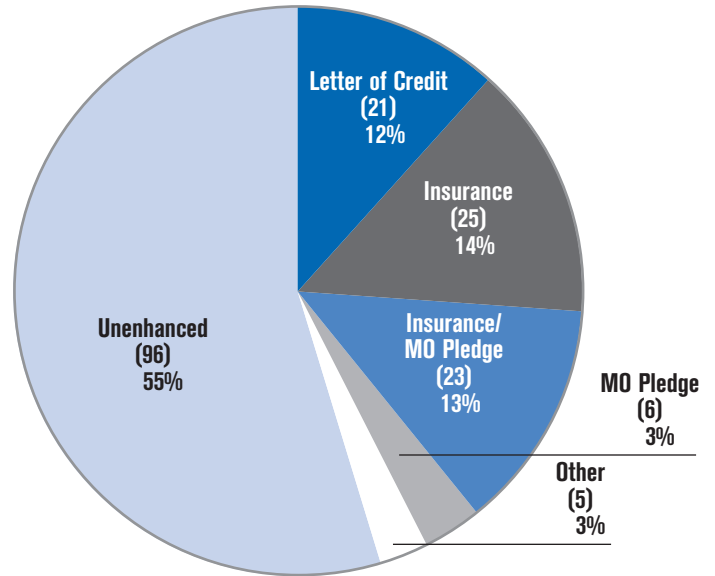
Eighty, or 45%, of all rated charter school bond offerings have been issued with some form of credit enhancement, including bond insurance, a moral obligation pledge from a state, a letter of credit, a general obligation pledge from a school district, other third-party guarantees or some combination of the above. These 80 enhanced issues also account for 45% of the total par amount of rated charter school bond issuance, approximately \$1.1 billion. Thirty-six bond offerings had both enhanced and underlying ratings, while 44 were issued with no underlying rating.

**RATING CHANGES FOR BOND ISSUES WITH CREDIT ENHANCEMENT**

The disruption in the credit markets in 2008 and subsequent downgrade of the bond insurance companies significantly affected the ratings and subsequent secondary market pricing of the 80 enhanced issues. As can be seen in the chart below, all 80 issues were initially issued with investment grade ratings; however, only 19% maintained their original ratings, with 81% experiencing downgrades or withdrawals, including every offering issued with bond insurance.

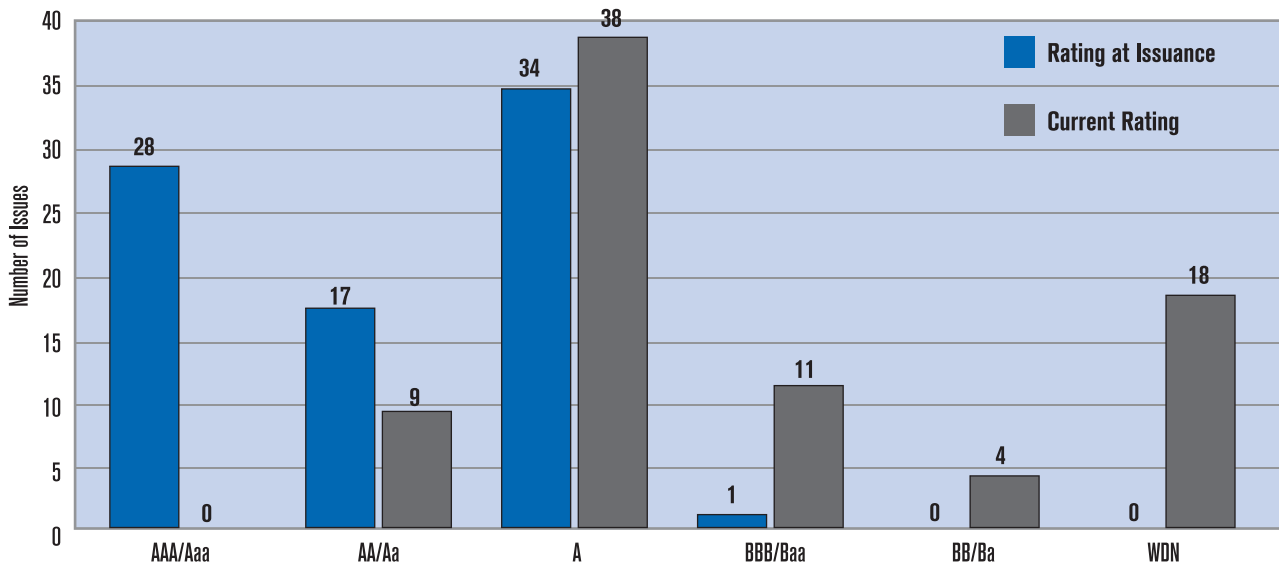
Forty-seven, or 59%, of the enhanced issues experienced downgrades, generally because of the deteriorating credit strength of their enhancement vehicle. Twenty-three of the 28 issues initially rated triple-A were Colorado issuances that were enhanced both with insurance and the state's moral obligation program. When CIFG Assurance North America Inc. and XL Capital Assurance Inc. (now Syncora Guarantee Inc.), the two primary insurers for Colorado's program, lost their triple-A rat-

**BREAKDOWN OF 176 RATED CHARTER SCHOOL BOND ISSUES**



ings, these issues were downgraded to the program's "A" rating. The five other triple-A rated issues were insured by MBIA Insurance Corp. (now National Public Finance Guaranty Corp.) and had their ratings downgraded to "A" for S&P-rated issues and to "Baa1" for Moody's-rated issues when the insurance company was downgraded. The banks providing letters of credit generally experienced less drastic deteriorations in their credit ratings. Of the 21 banks providing letters of credit, 15 were originally rated within the double-A category. Of these 15, five maintained their ratings, two were downgraded within the double-A cat-

**80 ENHANCED CHARTER SCHOOL BOND ISSUES  
COMPARISON OF RATINGS AT ISSUANCE AND CURRENT**



category and six were downgraded to the “A” category. Eight of the issues with an underlying rating that were originally rated “A” due to credit enhancement from ACA Financial were downgraded to the school’s underlying credit rating, including three issues that were downgraded to non-investment grade.

Eighteen enhanced issues, or 22%, had their ratings withdrawn because there was no underlying rating for the school at the time the bond insurer was downgraded. Thirteen of the withdrawn ratings had an “A” rating at issuance due to credit enhancement from ACA Financial, which is no longer rated by any of the three rating agencies. Of the remaining issues with withdrawn ratings, two were withdrawn because the bonds were refinanced, and one was withdrawn when the letter of credit provider accelerated the maturity and purchased the bonds after the school failed to make payments under the reimbursement agreement. These rating downgrades and withdrawals prompted significant changes in pricing, with prices falling and yields rising dramatically for many issuances.

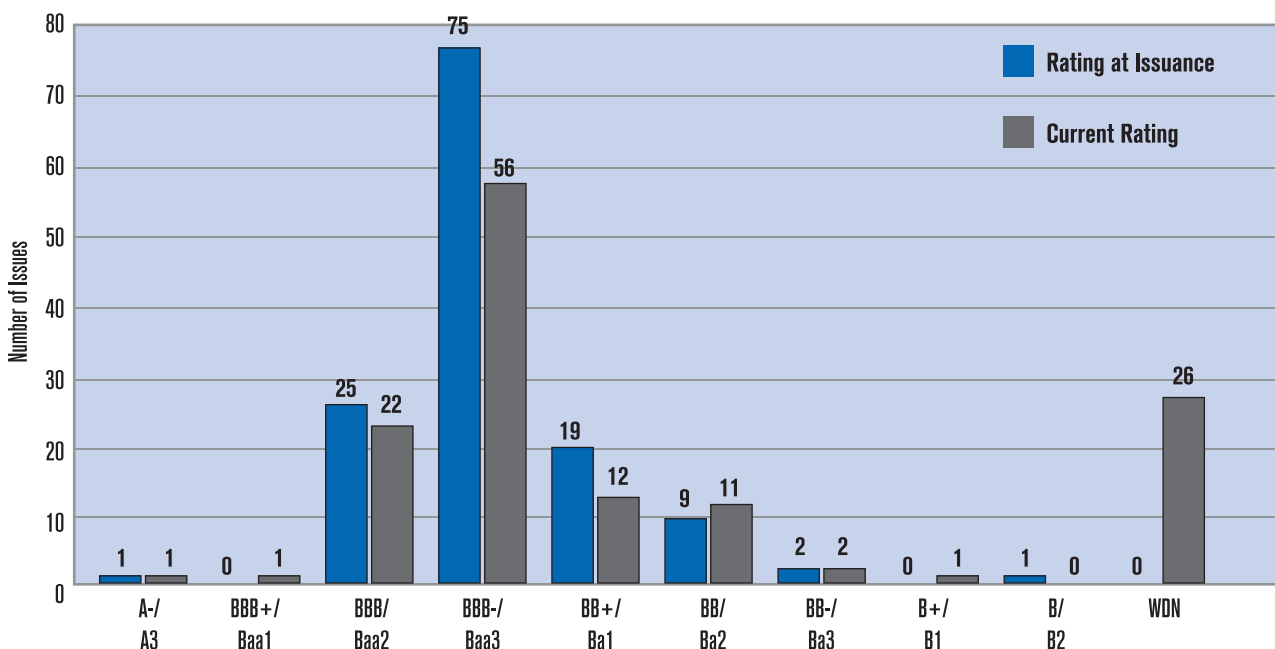
### CHANGES FOR UNDERLYING CHARTER SCHOOL RATINGS

The distribution of ratings for the 132 issues that had unenhanced or underlying school ratings has remained generally unchanged. These 132 issues include 96 that were issued only with the school’s underlying rating and 36 that were issued with both enhanced and unenhanced ratings. The analysis here pertains to the underlying charter school ratings. At the time of issuance, 76% of the underlying ratings were investment grade, mostly in the triple-B category. Of the 132 issues, 92,

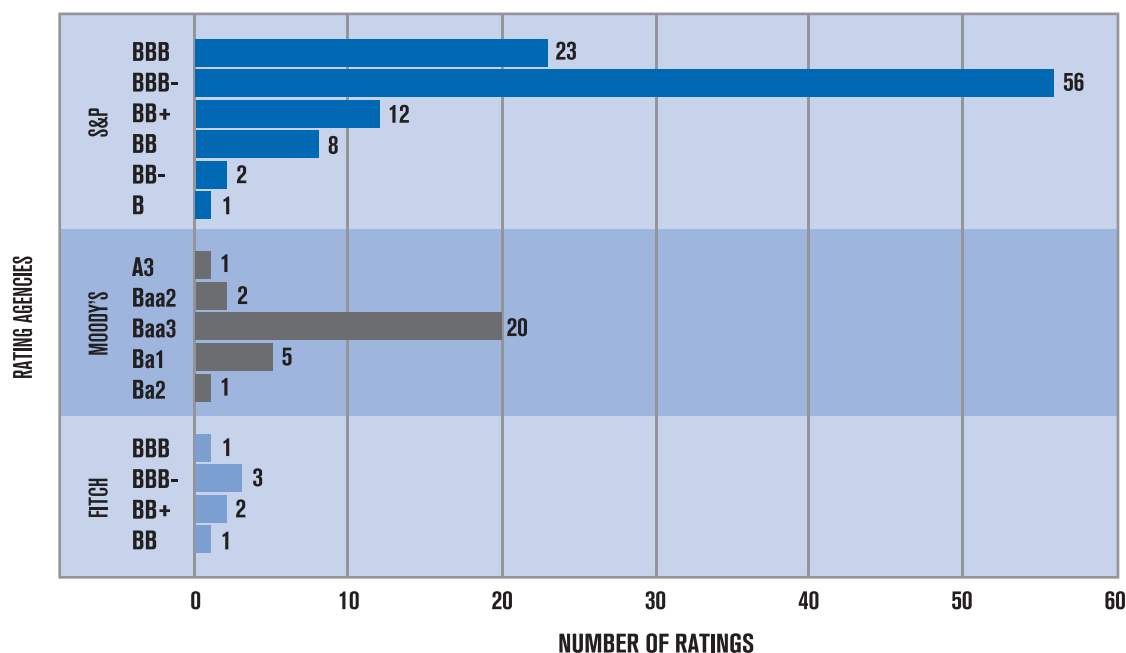
or 70%, have experienced no change in rating since issuance. Nine of the credits, or 7%, were upgraded, including two that were upgraded from below investment grade to investment grade. Five, or 4%, were downgraded, including three that were downgraded from investment grade to non-investment grade.

The remaining 26, or 20%, of the underlying school ratings were withdrawn for a variety of reasons, primarily because the bond issuance was refinanced. Fifteen of the 26 withdrawn ratings are for refunded issues, including 11 refundings through Colorado’s moral obligation program. An additional five withdrawals are for outstanding Colorado moral obligation charter school issuances. Although these issuances remain outstanding, program administrators chose not to incur the cost of maintaining lower underlying school ratings and now maintain only the higher enhanced rating for the program. The remaining six ratings were withdrawn for a variety of reasons, including poor performance in the case of one school that lost its charter in 2007 and subsequently defaulted on payments to bondholders. The chart below illustrates the initial and current underlying ratings for the 132 bond issues. The gradations between the major rating categories are shown here, unlike previous graphs, due to the high number of issues in the lowest investment grade rating, “BBB-/Baa3.”

**132 UNENHANCED/UNDERLYING CHARTER SCHOOL RATINGS  
COMPARISON OF RATINGS AT ISSUANCE AND CURRENT**



## UNENHANCED CHARTER SCHOOL RATINGS AT ISSUANCE BY RATING AGENCY



### RATINGS BY AGENCY

The three rating agencies provided underlying school ratings for 132 of the rated bond issuances, six of which had ratings from multiple agencies. The graph above illustrates the breakdown of these 138 ratings, with S&P providing 102, Moody's 29 and Fitch seven. Several of the schools undertook multiple bond issues. Since ratings at issuance occasionally varied over time for the same school, they are tabulated for each issuance.

### RATED CHARTER SCHOOL BOND ISSUANCES BY STATE

Due in part to its moral obligation program for charter schools, Colorado has the most rated issuances at 50. More than half of these bond offerings, 29, were issued through the MO program, many of which refinanced prior bond offerings at the lower interest rates available because of the credit enhancement. Other states with a high number of rated issuances include Arizona, Texas and Michigan. The accompanying table lists the number of rated charter school issuances and the total par amount of such issuances by state.

### RATED CHARTER SCHOOL BOND ISSUANCE BY STATE

| State                | Issuances  |               | Par Amount     |               |
|----------------------|------------|---------------|----------------|---------------|
|                      | Number     | %             | \$ Millions    | %             |
| CO                   | 50         | 28.41         | \$554          | 22.85         |
| AZ                   | 21         | 11.93         | 338            | 13.94         |
| TX                   | 20         | 11.36         | 339            | 13.98         |
| MI                   | 17         | 9.66          | 207            | 8.53          |
| FL                   | 13         | 7.39          | 213            | 8.80          |
| PA                   | 10         | 5.68          | 133            | 5.48          |
| IL                   | 7          | 3.98          | 129            | 5.30          |
| ID                   | 7          | 3.98          | 36             | 1.49          |
| DC                   | 5          | 2.84          | 108            | 4.44          |
| MA                   | 5          | 2.84          | 91             | 3.75          |
| CA                   | 3          | 1.70          | 58             | 2.39          |
| IN                   | 3          | 1.70          | 43             | 1.75          |
| NC                   | 3          | 1.70          | 31             | 1.29          |
| MN                   | 2          | 1.14          | 28             | 1.17          |
| UT                   | 2          | 1.14          | 24             | 1.01          |
| Various <sup>1</sup> | 8          | 4.55          | 93             | 3.83          |
| <b>Total</b>         | <b>176</b> | <b>100.00</b> | <b>\$2,425</b> | <b>100.00</b> |

<sup>1</sup> Eight states had a single rated issue, including: DE, GA, MO, NJ, NY, RI, SC and WI.

### REPAYMENT PERFORMANCE

According to Bloomberg L.P., among the 176 rated charter school bond issues detailed, there has been one payment default that resulted in a loss to bondholders—a default rate of 0.6% in terms of number of issuances. In terms of the dollar amount of the debt originated, the default rate is 0.1%. In 2000, Sankofa Shule, a Michigan public school academy or charter school, issued \$2.5 million in Certificates of Participation that were rated “Ba1” by Moody's. After a period of enrollment declines

and management turnover, the school lost its charter in 2007. While debt service reserve funds were employed to maintain payments to bondholders for a period after the school's closure, it was not anticipated that the land and building assets, valued at \$1.8 million at the time, would be sufficient to make bondholders whole.

While there is no single verifiable data source, there appear to be only two cases of missed payments under the accompanying loan agreements for the other 175 issues. However, in each case there was no loss to bondholders because of credit enhancement built into the issue structure. These two issues bring the adjusted default rate of underlying school performance to 1.7% in terms of the number of issuances and 0.4% in terms of the debt originated.

The first charter school that missed payments under its loan agreement was Arizona Montessori, a participant in the \$29 million 2000 Maricopa County Industrial Development Authority pooled issue for seven charter school borrowers. The school was unable to make payments on its \$1.7 million in outstanding debt, and in 2006, the school closed and its facility was sold close to the amount of the outstanding debt, at a sale price of \$1.36 million. Bondholders were kept whole by drawing on reserves that had been built into the pool structure. The \$29 million issue had originally been rated "Baa3" by Moody's and was downgraded to "Ba3." Subsequently, other schools in the pool experienced deteriorating financial performance, with one school, Omega Academy, filing for bankruptcy in 2007. Omega Academy is still operational and current on its payments; however, it faces litigation. The issue is currently rated "B1" by Moody's and was placed on "Watchlist" for a possible downgrade in January 2010.

The second school that missed payments under its reimbursement agreement was Hidden Springs Charter School in Idaho. There was no underlying school rating at the time of issuance, only a rating of "Aa1" for the letter of credit provider, Bank of America. In 2007, Hidden Springs Charter School issued \$5.8 million in bonds through the Idaho Housing and Finance Association. The school experienced a decrease in enrollment for the 2007-2008 school year, resulting in a state funding reduction of \$250,000. The school was unable to make its payments, and the letter of credit provider accelerated the maturity and purchased the bonds in March 2009. The school tried to recover the state funds in a lawsuit against the state by arguing that the Idaho state law that allows public schools to use a previous year's attendance to offset declines in enrollment should also apply to charter schools. The state disagreed, and in June 2009, a judge ruled against the school. Bondholders experienced no losses due to the credit enhancement.

## **OUTLOOK**

More widespread understanding of charter school default rates should place charter schools within the context of the relatively safe municipal market. The long-standing municipal rating scales used by the major rating agencies are currently being reassessed in light of heightened federal oversight resulting from the credit crisis. This reassessment is not a reflection of a change in credit quality of municipal issuers, but

rather represents adjustments to how municipal credits compare to corporate borrowers. Studies have consistently shown that given the same rating, U.S. municipal bonds have had significantly lower default rates than corporate bonds, even prior to the global economic crisis.

In April 2010, Moody's Investors Services and Fitch Ratings recalibrated their U.S. municipal rating scales, resulting in upgrades of many state and municipal bond issuers. Moody's has stated that it will eventually move about 70,000 municipal ratings to its new Global Rating Scale, while Fitch has changed tens of thousands of municipal ratings as part of its transition to a single rating scale. In 2008, Standard & Poor's revised its criteria for various municipal bond sectors, which resulted in the upgrading of numerous municipal issuers. Charter schools, however, are not included in the municipal sectors that the rating agencies are reviewing, and their ratings will not be affected in the near term. As charter schools continue to demonstrate default rates comparable to other tax-exempt sectors, the benefit of the recalibration experienced in other areas of the municipal sector should extend to charter school issuances.

Until such a recalibration, charter schools that choose to access the tax-exempt market for their facilities will most likely only be able to do so with low investment grade ratings. Those schools which issue on an unrated basis will pay a premium as investors still demonstrate a preference for rated securities. With bond insurance no longer a viable option, government and private philanthropic funds are being used to provide the credit enhancement for charter school bonds that is necessary but lacking in the current market. Federal credit enhancement grant funds are being utilized by the Charter School Financing Partnership, in concert with a program-related investment from the Walton Family Foundation, to provide credit enhancement for bond issuance for high-quality smaller schools and stand-alone schools across the country. The Bill & Melinda Gates Foundation has provided a \$30 million guaranty for bond financing for high-quality charter management organizations in the Houston market and an \$8 million guaranty for a bond offering for Aspire Public Schools in California. Both of these issuances also included support from the ED credit enhancement program via LISC and NCB Capital Impact, respectively, with the Aspire offering also enhanced with an \$8 million guaranty from the Charles and Helen Schwab Foundation. These charter school specific enhancement vehicles are bridging a particularly turbulent time in the credit markets and enabling the charter sector to further develop its successful track record of performance.

## FEDERAL INITIATIVES

The U.S. Department of Education offers federal grant funds for charter school facilities through two programs administered by the Office of Innovation and Improvement, ED's entrepreneurial arm that makes strategic investments in innovative educational practices. The U.S. Department of the Treasury allocates authority for three federal tax credit programs for which charter schools are eligible. In addition, there are two other federal programs that can be accessed for charter school facilities financing.

### U.S. DEPARTMENT OF EDUCATION

ED's Office of Innovation and Improvement administers two charter school facilities grant programs—the Credit Enhancement for Charter School Facilities Program (Credit Enhancement Program) and the State Charter School Facilities Incentive Grants Program (State Incentive Grants Program). The Credit Enhancement Program was funded via a separate line-item in the federal budget through Fiscal Year 2007. The State Incentive Grants Program is funded in two ways: 1) through direct appropriation; or 2) from overflow from the Public Charter Schools Program (PCSP). Under the authorizing statute, when the appropriation for the PCSP exceeds \$200 million but totals less than \$300 million, funds that exceed \$200 million are allocated to the State Incentive Grants Program. If funds in excess of \$300 million are appropriated, 50% of the excess must be used for the State Incentive Grants Program. Beginning in Fiscal Year 2008, funding for the PCSP, the Credit Enhancement Program and the State Incentive Grants Program has been consolidated into a single line-item. In Fiscal Years 2008 and 2009, the appropriation acts permitted the Secretary of Education to

use amounts in excess of \$190 million and \$195 million, respectively, for the two federal facilities programs, resulting in approximately \$21 million in combined funding in each of the two years. Historical federal funding over the last five years for the three charter school programs is summarized below.

For Fiscal Year 2010, the federal charter school programs received \$256 million in a single line-item together with language permitting the Secretary of Education to use up to \$23 million for the two facilities programs, up to \$50 million to make multiple awards to nonprofit CMOs and other nonprofit entities to expand or replicate successful charter school models, and \$10 million to develop a sound support infrastructure for high-quality charter schools, including grants for the provision of technical assistance to public chartering agencies. The balance is available to fund the PCSP.

### Credit Enhancement for Charter School Facilities Program

**Website:** <http://www.ed.gov/programs/charterfacilities/index.html>

**Statutory Reference:** <http://bit.ly/bk3YJd>

This federal program provides grant funds on a competitive basis to public and nonprofit entities to develop innovative credit enhancement models that assist charter schools in leveraging capital from the private sector. Program funds may not be used for the direct purchase, lease, renovation or construction of facilities. Instead, funds must be used to attract other financing for such purposes. Examples include guaranteeing and insuring debt for charter school facilities; guaranteeing and insuring leases for personal and real property; assisting facilities financ-

## HISTORICAL FEDERAL CHARTER SCHOOL APPROPRIATIONS AND EXPENDITURES (\$ in Thousands)

|                                      | 2005             | 2006             | 2007             | 2008             | 2009             |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Appropriations</b>                |                  |                  |                  |                  |                  |
| Charter School Programs <sup>1</sup> | \$216,952        | \$214,782        | \$214,782        | \$211,031        | \$216,031        |
| Credit Enhancement Program           | 36,981           | 36,611           | 36,611           | -                | -                |
| <b>Total Charter School Programs</b> | <b>253,933</b>   | <b>251,393</b>   | <b>251,393</b>   | <b>211,031</b>   | <b>216,031</b>   |
| <b>Expenditures</b>                  |                  |                  |                  |                  |                  |
| PCSP Start-up Grants                 | 200,000          | 200,000          | 200,000          | 190,000          | 195,000          |
| <i>Facilities Programs</i>           |                  |                  |                  |                  |                  |
| Credit Enhancement Program           | 36,981           | 36,611           | 36,611           | 8,300            | 8,300            |
| State Incentive Grants Program       | 16,952           | 14,782           | 14,782           | 12,731           | 12,731           |
| <i>Sub-Total Facilities Programs</i> | <i>53,933</i>    | <i>51,393</i>    | <i>51,393</i>    | <i>21,031</i>    | <i>21,031</i>    |
| <b>Total Charter School Programs</b> | <b>\$253,933</b> | <b>\$251,393</b> | <b>\$251,393</b> | <b>\$211,031</b> | <b>\$216,031</b> |

Source: EFFC

<sup>1</sup> For Fiscal Years 2005 through 2007, this line-item funded both PCSP and the State Incentive Grants Program. Beginning in Fiscal Year 2008, this line-item funded PCSP, the State Incentive Grants Program and the Credit Enhancement Program.

### CREDIT ENHANCEMENT FOR CHARTER SCHOOL FACILITIES PROGRAM RECIPIENTS (\$ in Millions)

| Recipient  | 2001           | 2003           | 2004           | 2005           | 2006           | 2007           | 2008          | 2009          | Total           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|-----------------|
| America's Charter School Finance Corp./ Building Hope      | \$4.96         | \$—            | \$—            | \$—            | \$—            | \$—            | \$—           | \$—           | \$4.96          |
| California Charter Schools Association/ NCB Capital Impact | —              | —              | —              | 10.00          | —              | —              | —             | —             | 10.00           |
| Charter Schools Development Corporation                    | 6.40           | —              | 8.60           | —              | 6.60           | —              | —             | —             | 21.60           |
| Civic Builders   | —              | —              | —              | —              | —              | —              | 8.30          | —             | 8.30            |
| New Jersey Community Capital <sup>1</sup>                  | —              | —              | —              | —              | 8.15           | —              | —             | —             | 8.15            |
| Dept. of Banking & Financial Institutions <sup>2</sup>     | —              | —              | 5.08           | —              | —              | —              | —             | —             | 5.08            |
| Housing Partnership Network, Inc.                          | —              | —              | —              | —              | —              | 15.00          | —             | —             | 15.00           |
| IFF  | —              | —              | —              | 8.00           | —              | 10.00          | —             | —             | 18.00           |
| Indianapolis Local Public Improvement Bond Bank            | —              | —              | —              | 2.00           | —              | —              | —             | —             | 2.00            |
| KIPP Foundation  | —              | —              | —              | —              | 6.80           | —              | —             | —             | 6.80            |
| Local Initiatives Support Corporation                      | —              | 6.00           | 4.00           | —              | 8.20           | —              | —             | 8.26          | 26.46           |
| Low Income Investment Fund                                 | 3.00           | —              | —              | —              | —              | 5.00           | —             | —             | 8.00            |
| Massachusetts Development Finance Agency                   | —              | 6.00           | 4.03           | —              | —              | —              | —             | —             | 10.03           |
| Michigan Public Educational Facilities Authority           | —              | —              | —              | —              | —              | 6.53           | —             | —             | 6.53            |
| NCB Capital Impact/The Reinvestment Fund, Inc.             | 6.40           | —              | 3.60           | —              | —              | —              | —             | —             | 10.00           |
| NCB Capital Impact   | —              | 6.00           | 2.00           | —              | —              | —              | —             | —             | 8.00            |
| Raza Development Fund, Inc.                                | 4.20           | —              | 8.75           | —              | 1.60           | —              | —             | —             | 14.55           |
| Self-Help  | —              | 6.77           | 1.23           | —              | 2.20           | —              | —             | —             | 10.20           |
| The Reinvestment Fund, Inc.                                | —              | —              | —              | 10.00          | —              | —              | —             | —             | 10.00           |
| Texas Public Finance Authority                             | —              | —              | —              | 6.94           | 3.06           | —              | —             | —             | 10.00           |
| <b>Total</b>   | <b>\$24.96</b> | <b>\$24.77</b> | <b>\$37.29</b> | <b>\$36.94</b> | <b>\$36.61</b> | <b>\$36.53</b> | <b>\$8.30</b> | <b>\$8.26</b> | <b>\$213.66</b> |

Source: EFFC, U.S. Department of Education

<sup>1</sup> New Jersey Community Capital is the registered trade name of Community Loan Fund of New Jersey, the award recipient.

<sup>2</sup> The program funded with this award, the Charter School Incubator Initiative, is a public-private partnership between the D.C. Office of the State Superintendent of Education and Building Hope.

ing by identifying potential lending sources; encouraging private lending and other similar activities; and establishing charter school facility "incubator" housing that new charter schools may use until they can acquire their own facility.

To date, the Credit Enhancement Program (including its predecessor, the Charter School Facility Financing Demonstration Grant Program) has made 35 awards to 19 public and nonprofit entities totaling approximately \$214 million in eight competitive rounds.

As of September 30, 2008, grantees had provided 278 charter schools with access to financing to help them acquire, build or renovate school facilities, leveraging \$1.27 billion on behalf of these schools. As can be seen from the accompanying table, because of the program's structure, the financing leveraged does not necessarily occur in the year in which the award is made. Thus, loan volume continues to expand although appropriation levels remain fairly flat, with loan volume in 2008 roughly nine times greater than that in 2003.

Of the 278 charter schools that have received credit enhancement through the program, five, or 1.80%, have gone into either actual or technical default. However, to date, only two of these defaults have resulted in an actual loss in funds of \$335,000, representing 0.16% of the \$214 million in grant funds awarded and 0.03% of the \$1.27 billion in financing leveraged.

### CREDIT ENHANCEMENT PROGRAM (\$ in Millions)

| Federal Fiscal Year | ED Grant Awards | Financing Leveraged | Number of Charter Schools |
|---------------------|-----------------|---------------------|---------------------------|
| 2001                | \$24.96         | \$0.00              | 0                         |
| 2002                | 0.00            | 0.00                | 0                         |
| 2003                | 24.77           | 56.38               | 21                        |
| 2004                | 37.29           | 71.78               | 29                        |
| 2005                | 36.94           | 109.69              | 36                        |
| 2006                | 36.61           | 168.37              | 46                        |
| 2007                | 36.53           | 342.72              | 64                        |
| 2008                | 8.30            | 520.48              | 82                        |
| 2009 <sup>1</sup>   | 8.26            | Na                  | Na                        |
| <b>Total</b>        | <b>\$213.66</b> | <b>\$1,269.42</b>   | <b>278</b>                |

Source: U.S. Department of Education

<sup>1</sup> "Na" means data not yet available.

## STATE CHARTER SCHOOL FACILITIES INCENTIVE GRANTS PROGRAM RECIPIENTS (\$ in Millions)

| Cohort 1 Grantees                   | 2004           | 2005           | 2006           | 2007           | 2008           | Total          |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| California School Finance Authority | \$9.85         | \$9.85         | \$9.85         | \$9.85         | \$9.85         | \$49.25        |
| Minnesota Department of Education   | 5.00           | 4.00           | 2.21           | 2.00           | 1.00           | 14.21          |
| Utah State Office of Education      | 2.79           | 2.38           | 1.66           | 1.28           | 0.80           | 8.90           |
| District of Columbia Public Schools | 1.06           | 0.72           | 1.06           | 1.65           | 1.08           | 5.57           |
| <b>Total</b>                        | <b>\$18.70</b> | <b>\$16.95</b> | <b>\$14.78</b> | <b>\$14.78</b> | <b>\$12.73</b> | <b>\$77.95</b> |
| Cohort 2 Grantees                   | 2009           | 2010           | 2011           | 2012           | 2013           | Total          |
| California School Finance Authority | \$7.72         | \$8.70         | \$9.70         | \$10.00        | \$10.00        | \$46.12        |
| Indiana Department of Education     | 5.00           | 4.00           | 3.00           | 2.00           | 1.00           | 15.00          |
| <b>Total</b>                        | <b>\$12.72</b> | <b>\$12.70</b> | <b>\$12.70</b> | <b>\$12.00</b> | <b>\$11.00</b> | <b>\$61.12</b> |

Source: EFFC, U.S. Department of Education

### State Charter School Facilities Incentive Grants Program

**Website:** <http://www.ed.gov/programs/statecharter/index.html>

**Statutory Reference:** <http://bit.ly/bAXtzt>

Created under section 5205(b) of the Elementary and Secondary Education Act (ESEA), as amended by the No Child Left Behind Act of 2001 (NCLB), this federal program provides federal funds on a declining matching basis to select states with per pupil facilities aid programs for charter schools. The program is designed to encourage states to develop and expand per pupil facilities aid programs and to share in the costs associated with charter school facilities funding. To be eligible, a state's program must be specified in state law and provide annual funding on a per pupil basis for charter school facilities. ED provides grants with a maximum term of five years, and the maximum federal share of the cost of establishing, or expanding, and administering the program decreases each year as follows:

- 90% in the first year
- 80% in the second year
- 60% in the third year
- 40% in the fourth year
- 20% in the fifth year

States may reserve up to 5% of grant funds for administrative expenses, including indirect costs, to carry out evaluations, provide technical assistance and disseminate information. Priority is given to states with charter authorizers that conduct a periodic review and evaluation of charter schools at least once every five years, as well as perform all of the following: demonstrate progress in increasing the number of high-quality charter schools; provide for a charter authorizer that is not a local educational agency (LEA), or, if LEAs are the only authorized public chartering agencies, allow for an appeals process; and ensure that charter schools have a high degree of autonomy over their budgets and expenditures. In addition, states receive priority based on the capacity of

charter schools to offer public school choice to communities most in need of educational options with the following factors considered: 1) the extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action or restructuring under Title I of ESEA, as amended; 2) the extent to which the applicant would target services to geographic areas in which a large proportion of students perform poorly on state academic assessments; and 3) the extent to which the applicant would target services to communities with large proportions of low-income students. Lastly, in the 2009 competition, priority went to states that had not previously received a grant under the program.

In Fiscal Year 2004, the program awarded \$18.7 million in first-year funding for the first cohort of grantees, including California, Minnesota, Utah and the District of Columbia. Ongoing annual awards were made to these four grantees through Fiscal Year 2008, with aggregate awards totaling \$78 million over the five-year period. In Fiscal Year 2009, the program awarded \$12.7 million in first-year funding for a second cohort of grantees, including California and Indiana. Ongoing annual awards will be made to these two grantees through Fiscal Year 2013, bringing the program's award totals to \$139 million.

ED measures the efficiency of this facilities program by examining the leverage ratio of federal dollars, defined as the total funds available, including the federal grant and the state match, divided by the federal grant for a specific year.

### STATE CHARTER SCHOOL FACILITIES INCENTIVE GRANTS LEVERAGE

| Federal Fiscal Year | Leverage Ratio |
|---------------------|----------------|
| 2004                | 6.9            |
| 2005                | 17.0           |
| 2006                | 5.3            |
| 2007                | 5.8            |
| 2008                | 44.9           |

Source: U.S. Department of Education



## U.S. DEPARTMENT OF THE TREASURY

The Treasury Department allocates tax credit authority on behalf of three federal programs that charter schools can access for facilities financing: the Qualified School Construction Bond Program, the Qualified Zone Academy Bond Program and the New Markets Tax Credit Program.

### Qualified School Construction Bond Program

**Website:** <http://www2.ed.gov/policy/gen/guid/secletter/D90529.html>  
[https://www.treasurydirect.gov/govt/apps/slgs/slgs\\_irstax.htm](https://www.treasurydirect.gov/govt/apps/slgs/slgs_irstax.htm)

**Statutory Reference:** <http://bit.ly/aZpDEH>

Qualified School Construction Bonds support the construction, rehabilitation or repair of public school facilities, the acquisition of land on which such facilities will be constructed and furniture and equipment for the facilities. Projects financed with QSCBs must comply with federal wage rate requirements and labor standards. State and local governments may issue up to \$22 billion of QSCBs, including \$11 billion allocated in 2009 and another \$11 billion in 2010. Indian tribal governments may issue an additional \$200 million annually in 2009 and 2010.

#### LEGISLATION, RULES & ALLOCATIONS

- Created by the Recovery Act, which added Section 54F to the Internal Revenue Code.
- In April 2009, the Internal Revenue Service issued Notice 2009-35, which provided guidance and the 2009 allocations.
- In March 2010, Notice 2010-17 was issued, which provided allocations for 2010.
- The Hiring Incentives to Restore Employment Act (HIRE Act) of 2010 authorized QSCBs to be issued as direct payment bonds.
- In April 2010, Notice 2010-35 was issued, providing guidance on the HIRE Act bond provisions.

The federal government uses a statutory formula to allocate the authority to issue QSCBs to states and large local educational agencies. Forty percent of the allocation is distributed to the 100 LEAs with the largest populations of school-age students in poverty plus up to 25 LEAs determined to be in-need by the U.S. Secretary of Education. The remaining 60% of the allocation goes to states based on their proportion of the prior year's Title I grant funding for disadvantaged students under NCLB, with the amount allocated to any state reduced by the aggregate amount of allocations to the LEAs within the state. Individual states determine which portion of their allocations, if any, may be used by charter schools.

QSCBs are tax credit bonds for which the federal government provides a tax credit in lieu of interest payable on the bonds, lowering interest expenses for the borrower. The bondholder receives all or a portion of its return on investment as a federal tax credit against its federal tax

liability. The maximum maturity and the rate of the federal tax credit is set daily by the Treasury Department, but is fixed for the life of the bonds at issuance. QSCBs are generally structured as bullet term bonds, with a single principal payment at maturity; however, borrowers may create voluntary sinking funds subject to certain requirements.

While it was anticipated that QSCBs would be zero-interest, investors have typically required a supplemental coupon payment that, together with the tax credit, meets their required return. Bond issuers and investors also anticipated having the ability to strip the tax credits and sell them separately, but the market has been reluctant to do so prior to issuance of formal guidance from the Treasury Department, which is anticipated by July 2010.

In March 2010, the HIRE Act was signed into law, authorizing QSCBs and QZABs to be issued as direct payment bonds for which an issuer irrevocably elects to receive cash subsidy payments from the Treasury Department in lieu of tax credits that could otherwise be claimed. The amount of the cash subsidy paid directly to issuers on each interest payment date is equal to the amount of tax credit that would have been available on each quarterly date based on the tax credit rate set by the Treasury Department.

To date, approximately \$2.7 billion in QSCBs have been issued, virtually all on behalf of traditional district schools. Uncommon Schools' North Star Academy in Newark completed a \$16.5 million QSCB transaction in December 2009, with a supplemental interest rate of 2%. YES Prep Public Schools in Houston combined \$5.5 million in QSCBs with \$16 million in QZABs, with a net interest rate of under 1%. Several other charter school QSCB transactions are in progress in New Jersey, Texas and Washington, D.C.

### Qualified Zone Academy Bond Program

**Website:** <http://www.ed.gov/programs/qualifiedzone/index.html>  
[https://www.treasurydirect.gov/govt/apps/slgs/slgs\\_irstax.htm](https://www.treasurydirect.gov/govt/apps/slgs/slgs_irstax.htm)

**Statutory Reference:** <http://bit.ly/cdAZeP> (Section 313)

The Qualified Zone Academy Bond Program helps eligible public schools raise funds to rehabilitate and repair facilities, purchase equipment, develop course materials and train teachers and other school personnel. QZAB proceeds may not be used for new construction or land acquisition. QZABs were capped at \$400 million annually from 1998 to 2008; the Recovery Act increased the cap to \$1.4 billion annually for 2009 and 2010.

The federal government allocates the authority to issue QZABs to states based on their proportion of the United States population living below the poverty line, and the Internal Revenue Service publishes state allocations for each year. Individual states determine which portion of their allocations, if any, may be used by charter schools.

To be eligible for the QZAB Program, a public school must be located in an Empowerment Zone or Enterprise Community or have a student body in which at least 35% of students are eligible for the federal free

### LEGISLATION, RULES & ALLOCATIONS

- Created by the Federal Taxpayer Relief Act of 1997, which added Section 1397E to the Internal Revenue Code.
- The Alternative Minimum Tax and Extenders Tax Relief Act of 2008 amended Section 54A of the Internal Revenue Code to include QZABs as qualified tax credit bonds subject to the requirements of Section 54A.
- The above-referenced act also added Section 54E, which provides revised program provisions for obligations issued after October 3, 2008.
- The Recovery Act increased the national cap to \$1.4 billion annually for 2009 and 2010.
- In April 2009, the Internal Revenue Service issued Notice 2009-30, which provided allocations for 2008 and 2009.
- In February 2010, Notice 2010-22 was issued, which provides for \$1.4 billion in allocation authority for 2010.
- The HIRE Act authorized QZABs to be issued as direct payment bonds.
- In April 2010, Notice 2010-35 was issued, providing guidance on the HIRE Act bond provisions.

and reduced-price lunch program. In addition, the school must develop a partnership with a business or other private entity that makes a contribution to the school worth at least 10% of the principal amount borrowed. Schools are also required to have a comprehensive education plan approved by their local school district and in which students are subject to the same standards and assessments as other students in the district.

Like QSCBs, QZABs are tax credit bonds for which the federal government provides a tax credit in lieu of interest payable, thus lowering borrowing costs. The maximum maturity and the rate of the federal tax credit is set daily by the Treasury Department, but is fixed for the life of the bonds at issuance. QZABs are generally structured as bullet term bonds, with a single principal payment at maturity; however, sinking funds are allowable subject to certain restrictions.

The HIRE Act, signed into law in March 2010, authorized QZABs and QSCBs to be issued as direct payment bonds for which an issuer irrevocably elects to receive cash subsidy payments from the Treasury Department in lieu of tax credits that could otherwise be claimed.

As in the case of QSCBs, investors typically require a supplemental coupon payment that, together with the tax credit, meets their required return. QZABs have been employed on behalf of charter schools in several jurisdictions, including Arizona, California, Louisiana, Massachusetts, Michigan, Missouri, Texas, Wisconsin and Washington, D.C.

### New Markets Tax Credit Program

**Website:** [http://www.cdfifund.gov/what\\_we\\_do/programs\\_id.asp?programID=5](http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5)

**Statutory Reference:** <http://bit.ly/9XmKGE> (Latest version available through the U.S. Government Printing Office)

Congress created the New Markets Tax Credit Program in 2000 to stimulate private investment and economic growth in low-income communities. A federal tax credit of 39% is provided over seven years for Qualified Equity Investments (QEIs) made through designated Community Development Entities (CDEs). Substantially all of the QEI must in turn be used by CDEs to make loans to or investments in businesses and projects in low-income communities. In June 2006, the NMTC Program broadened its scope by allowing CDEs to invest in businesses located outside of low-income areas provided the businesses are owned by, hire significant numbers of, or predominately serve low-income persons. In addition, the program serves persons who have suffered as a result of Hurricane Katrina.

### LEGISLATION, RULES & ALLOCATIONS

- The Community Renewal Tax Relief Act of 2000 originally authorized \$15 billion in NMTC authority through 2007.
- The Gulf Opportunity Zone Act of 2005 provided an additional \$1 billion in allocation authority for communities in federally-designated "Gulf Opportunity Zones" devastated by Hurricane Katrina.
- In December 2006, Congress passed the Tax Relief and Health Care Act, which extended the program through 2008 with an additional \$3.5 billion in allocation authority.
- In July 2008, the Housing and Economic Recovery Act extended the program through 2009 with an additional \$3.5 billion in authority.
- In February 2009, the Recovery Act provided an additional \$3 billion in NMTC authority and increased the allocation of credits to \$5 billion annually for 2008 and 2009.

NMTCs may be utilized in a wide range of qualified business activities, from small business lending to financial counseling to real estate development. Eligible real estate development projects encompass community facilities, including those for charter schools. With NMTC financing, CDEs can make equity investments in or, more commonly, loans to charter schools for facilities projects in qualifying low-income census tracts. Benefits can include reduced interest rates, seven-year terms, longer amortization periods or no principal amortization, and debt cancellation. To date, \$26 billion of tax credit allocation authority has been awarded in seven rounds through a competitive process administered by the CDFI Fund. According to the CDFI Fund, these allocations have resulted in investments in distressed communities totaling \$12 billion through 2008.

A number of NMTC allocatees have included charter schools specifically or community facilities generally as one of the proposed uses of their tax credits. The table below lists the controlling entity for these allocatees and summarizes data on their NMTC awards and utilization for charter schools. Several entities have established multiple CDEs that are listed in the aggregate according to the controlling entity; the controlling entity listed represents the entity at the time of the award, prior to any subsequent mergers. The 40 organizations listed below have received

119 NMTC awards totaling \$8.76 billion. Approximately \$5.6 billion of this total has been invested or committed to projects as of February 1, 2010, with \$3.15 billion remaining available for investment. NMTC allocation employed on behalf of charter school facilities projects as reported by allocatees in an EFFC poll totals \$573 million. This utilization represents 10% of the closed and committed funds employed by these allocatees to date, 7% of their total allocation awards, and 2% of the \$26 billion awarded more broadly.

| <b>NMTC UTILIZATION FOR CHARTER SCHOOLS</b> (\$ in Millions) |                         |                        |                         |  |  |
|--|-------------------------|------------------------|-------------------------|--|--|
| <b>Controlling Entity</b>                                    | <b>Number of Awards</b> | <b>2009 Allocation</b> | <b>Total Allocation</b> | <b>Charter Utilization<sup>1</sup></b> | <b>Remaining Available<sup>2</sup></b> |
| Alaska Growth Capital BIDCO, Inc.                            | 3                       | \$50.0                 | \$90.0                  | Na                                     | \$56.1                                 |
| Bank of America, N.A.  | 5                       | 70.0                   | 578.0                   | \$10.0                                 | 194.6                                  |
| Boston Community Capital, Inc.                               | 4                       | 85.0                   | 300.0                   | 15.8                                   | 170.0                                  |
| Capital One Community Renewal Fund, LLC                      | 3                       | —                      | 250.0                   | Na                                     | 104.8                                  |
| CBO Financial, Inc.  | 5                       | 10.0                   | 130.0                   | Na                                     | 10.0                                   |
| Center for Community Self-Help                               | 3                       | —                      | 220.0                   | 62.6                                   | 50.0                                   |
| CFBanc Corporation   | 3                       | —                      | 230.0                   | 21.0                                   | 50.8                                   |
| Charter Schools Development Corporation                      | 1                       | —                      | 40.0                    | 40.0                                   | —                                      |
| Citigroup Inc.   | 3                       | 90.0                   | 221.3                   | Na                                     | 121.3                                  |
| City of Chicago  | 2                       | 55.0                   | 155.0                   | 36.5                                   | 86.2                                   |
| Clearinghouse CDFI   | 5                       | 100.0                  | 358.0                   | —                                      | 90.0                                   |
| Community Reinvestment Fund, Inc.                            | 5                       | 75.0                   | 597.5                   | 9.0                                    | 154.3                                  |
| Enterprise Community Partners, Inc.                          | 6                       | —                      | 610.0                   | Na                                     | 58.5                                   |
| Excellent Education Development, Inc.                        | 3                       | 50.0                   | 121.0                   | 71.0                                   | 50.0                                   |
| Fifth Third Bancorp  | 1                       | —                      | 100.0                   | Na                                     | 92.0                                   |
| Genesis LA Economic Growth Corporation                       | 3                       | 40.0                   | 170.0                   | —                                      | 55.0                                   |
| IFF  | 1                       | —                      | 10.0                    | 0.4                                    | —                                      |
| Johnson Financial Group, Inc.                                | 4                       | 50.0                   | 182.0                   | Na                                     | 52.0                                   |
| JPMorgan Chase & Co.   | 5                       | 40.0                   | 310.0                   | 19.6                                   | 133.6                                  |
| Kansas City, MO  | 2                       | 35.0                   | 75.0                    | —                                      | 75.0                                   |
| Local Initiatives Support Corporation                        | 6                       | 115.0                  | 623.0                   | 29.9                                   | 188.7                                  |
| Low Income Investment Fund                                   | 3                       | 45.0                   | 139.0                   | 26.5                                   | 99.2                                   |
| Massachusetts Development Finance Agency                     | 3                       | 55.0                   | 155.0                   | —                                      | 80.0                                   |
| Memphis Div. of Housing & Community Development              | 1                       | 30.0                   | 30.0                    | —                                      | 30.0                                   |
| Merrill Lynch Bank USA                                       | 2                       | —                      | 205.0                   | 34.3                                   | 91.6                                   |
| National City CDC  | 2                       | —                      | 200.0                   | 8.1                                    | 94.8                                   |
| NCB Capital Impact   | 5                       | 90.0                   | 409.0                   | 86.8                                   | 177.3                                  |
| New Jersey Community Capital <sup>3</sup>                    | 2                       | —                      | 50.0                    | 6.0                                    | 35.0                                   |
| Nonprofit Finance Fund                                       | 3                       | 60.0                   | 130.0                   | 7.5                                    | 61.0                                   |
| Park National Bank   | 1                       | 50.0                   | 50.0                    | —                                      | 50.0                                   |
| PNC Bank, N.A.   | 1                       | —                      | 75.0                    | —                                      | 27.0                                   |
| Prudential Insurance Company of America                      | 1                       | —                      | 50.0                    | —                                      | 50.0                                   |
| RBC Capital Markets Corporation                              | 2                       | 10.0                   | 65.0                    | —                                      | 51.0                                   |
| Revolution Ventures, LLC                                     | 1                       | —                      | 35.0                    | 35.0                                   | —                                      |
| Rose Capital, LLC  | 1                       | 20.0                   | 20.0                    | —                                      | 20.0                                   |
| The Reinvestment Fund, Inc.                                  | 4                       | 90.0                   | 278.5                   | 29.4                                   | 99.4                                   |
| Trammell Crow Company  | 4                       | 80.0                   | 390.0                   | Na                                     | 105.5                                  |
| U.S. Bank, N.A.  | 4                       | 95.0                   | 435.0                   | 16.0                                   | 108.0                                  |
| Wachovia Corporation   | 4                       | —                      | 488.0                   | 7.2                                    | 27.2                                   |
| Wells Fargo Community Development Corp.                      | 2                       | 90.0                   | 180.0                   | —                                      | 154.6                                  |
| <b>Sub-Total Allocatees</b>                                  | <b>119</b>              | <b>\$1,580.0</b>       | <b>\$8,755.3</b>        | <b>\$572.6</b>                         | <b>\$3,154.4</b>                       |
| <b>Total NMTC Allocation</b>                                 |                         | <b>\$5,000.0</b>       | <b>\$26,000.0</b>       |  |  |

Source: EFFC, CDFI Fund

<sup>1</sup> Amount employed for charters as reported by allocatees in EFFC survey; "Na" means not available.

<sup>2</sup> Per CDFI Fund's 2/1/2010 "NMTC Qualified Equity Investment Report."

<sup>3</sup> New Jersey Community Capital is the registered trade name of Community Loan Fund of New Jersey.

## OTHER FEDERAL PROGRAMS

### United States Department of Agriculture (USDA) Rural Development Community Facilities Programs

Website: <http://www.rurdev.usda.gov/rhs/cf/cp.htm>

Statutory Reference: <http://bit.ly/dAx869> (Latest version available through the U.S. Government Printing Office)

Authorized by Section 306 of the Consolidated Farm and Rural Development Act of 1972, as amended (7 U.S.C. 1926), the USDA Rural Development's Community Facilities Programs provide loans, guarantees and grants for essential community facilities in rural areas and towns of up to 20,000 in population. These facilities include libraries, hospitals, assisted living facilities, fire and rescue stations, community centers and schools, including charter schools. Program funds are available for public entities and nonprofit organizations. Applicants must have the legal authority to borrow and repay loans, pledge security for loans, and construct, operate and maintain the facilities. Loan repayment must be based on tax assessments, revenues, fees or other sources of funds sufficient for operation and maintenance, reserves and debt retirement.

The program provides guarantees of up to 90% for traditional lenders, such as commercial banks, savings and loans and certain regulated insurance companies. The program also makes direct loans to applicants that are unable to obtain affordable financing, with interest rates set according to the median household income of the area and repayment terms of up to 40 years. Interest rates are designed to be affordable, ranging from 4.5% for areas of high poverty to market rate. Both guaranteed and direct loan funds may be used for construction, renovation and improvement of facilities as well as refinancing under certain conditions. The program's grant funding is typically used to fund projects under special initiatives, such as Native American community development efforts and federally-designated Enterprise and Champion Communities. Highest priority for these grants is given to projects serving communities with populations of 5,000 or less and with median household incomes below the higher of the poverty line or 60% of the state non-metropolitan median household income. To date, the program has provided loans, guarantees and grants totaling approximately \$197.4 million for charter school projects in 13 states.

### Federal Emergency Management Agency (FEMA) Public Assistance (PA) Grant Program

Website: <http://www.fema.gov/government/grant/pa/index.shtm>

Statutory Reference: <http://bit.ly/94piJo> (Title 44, Chapter I, Subchapter D Disaster Assistance => Part 206 Federal Disaster Assistance => Subpart G to Subpart I) and <http://bit.ly/asgJzU>

In June 2006, charter schools became eligible for funding through the Federal Emergency Management Agency's Public Assistance Grant Program, which provides assistance to states, local governments and certain nonprofit organizations to alleviate suffering and hardship resulting from major disasters or emergencies declared by the President. Through the PA Grant Program, FEMA provides supplemental federal disaster grant assistance that reimburses eligible entities for costs associated with the repair, replacement or restoration of disaster-damaged, publicly owned facilities and the facilities of certain private nonprofit organizations. The federal share of assistance is not less than 75% of the eligible cost for emergency measures and permanent restoration. State and local governments typically share the costs that FEMA does not fund; however, charter schools traditionally cover these costs themselves.

Program funds are authorized by FEMA based on applicant cost estimates and are distributed to states. For large projects (defined to be \$54,100 or more), funds are paid to applicants, including charter schools, on a cost reimbursement basis. For smaller projects, the state transfers funds to applicants, including charter schools, as soon as the federal funds are obligated to the state. The state share of funding, when applicable, is paid to applicants upon project completion.

Eligible projects are those that fall within the following categories: debris removal; emergency protective measures; road systems and bridges; water control facilities; buildings, contents and equipment; utilities; and other public facilities, such as parks and recreational facilities.

From the audit data available, two charter schools in New Orleans have received funds through the FEMA PA Grant Program totaling approximately \$450,000.

### USDA RURAL DEVELOPMENT COMMUNITY FACILITIES PROGRAMS CHARTER SCHOOL FINANCING SUMMARY (\$ in Millions)

| Year         | Loans     |                | Guarantees |                 | Grants   |               | Total      |                 |
|--------------|-----------|----------------|------------|-----------------|----------|---------------|------------|-----------------|
|              | Number    | Amount         | Number     | Amount          | Number   | Amount        | Number     | Amount          |
| 2001         | 1         | \$0.60         | 3          | \$6.82          | —        | \$—           | 4          | \$7.42          |
| 2002         | 4         | 4.40           | 7          | 8.63            | —        | —             | 11         | 13.03           |
| 2003         | 4         | 3.85           | 8          | 11.50           | —        | —             | 12         | 15.35           |
| 2004         | 3         | 4.53           | 9          | 14.10           | 1        | 0.15          | 13         | 18.78           |
| 2005         | 12        | 24.50          | 5          | 8.39            | —        | —             | 17         | 32.89           |
| 2006         | 9         | 9.42           | 2          | 5.60            | —        | —             | 11         | 15.02           |
| 2007         | 4         | 9.40           | 4          | 3.90            | 1        | 0.25          | 9          | 13.56           |
| 2008         | 13        | 22.60          | 9          | 31.51           | 1        | 0.02          | 23         | 54.13           |
| 2009         | 4         | 8.16           | 5          | 18.91           | 2        | 0.13          | 11         | 27.2            |
| <b>Total</b> | <b>54</b> | <b>\$87.46</b> | <b>52</b>  | <b>\$109.38</b> | <b>5</b> | <b>\$0.54</b> | <b>111</b> | <b>\$197.38</b> |

Source: EFFC, USDA Rural Development

## STATE INITIATIVES

The following jurisdictions have charter legislation, with a limited number authorizing publicly funded per pupil allocations, grants, loans or some form of credit enhancement for charter school facilities. In addition, numerous states allow charter schools to issue tax-exempt debt through public or quasi-public conduit issuers or to access their Qualified School Construction Bond and Qualified Zone Academy Bond programs. Unless otherwise stated, ongoing funding programs are subject to periodic appropriation (normally annually or bi-annually) by the relevant appropriating body.

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### Alaska

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#### Alaska Municipal Bond Bank Authority (AMBBA) Conduit Financing

**Website:** <http://www.revenue.state.ak.us/treasury/programs/programs/index.aspx?60000>

**Statutory Reference:** <http://bit.ly/9kacM1>

Alaska charter schools are eligible through their local municipalities to access tax-exempt financing through the Alaska Municipal Bond Bank Authority. AMBBA is a public corporation that was established in 1975 to assist Alaska municipalities in financing capital improvement projects such as schools, water and sewer systems, public buildings, harbors and docks. To date, no charter schools have accessed financing through AMBBA.

#### Q-Bond Programs

Charter schools are eligible to participate in Alaska's Q-Bond Programs through their school districts. No charter schools have applied to date.

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### Arizona

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#### Per Pupil Allocation

**Statutory Reference:** <http://bit.ly/coy67R> (Section (B)(4))

Charter schools in Arizona receive a per pupil allocation called "equalization assistance," which consists of a base support level and "additional assistance." State legislation stipulates that "equalization assistance" is provided as a single amount based on student population without categorical distinctions between maintenance and operations or capital. Therefore, grant monies can be used for any educational expenditure, ranging from teacher salaries to transportation to facility construction. The amount of the "additional assistance" component is currently \$1,588 per pupil in grades K-8 and \$1,851 per pupil in grades 9-12.

#### Industrial Development Authority Conduit Financing

**Statutory Reference:** <http://bit.ly/b04J3w> (Sections 35-701 to 35-761)

Charter schools may apply for bond financing through various city and county industrial development authorities in Arizona, which act as intermediaries between charter school borrowers and bondholders.

#### Q-Bond Programs

Charter schools are eligible to access financing through Arizona's Q-Bond Programs, which are administered by the Arizona Department of Education's School Finance Unit. To date, \$1.5 million in QZABs have been issued on behalf of three charter schools. No QSCBs have been issued for charter schools.

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### Arkansas

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With regard to charter school facilities, Arkansas makes a distinction between conversion charter schools and open-enrollment charter schools. Conversion charter schools may apply for the same forms of state financial assistance for facilities as traditional public schools because they remain part of a school district. Open-enrollment charter schools do not receive state financial aid for facilities.

#### Q-Bond Programs

In 2009, one open-enrollment charter school received a QSCB allocation totaling \$6.6 million. Open-enrollment charter schools are not prohibited from participating in the state's QZAB Program.

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### California

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*State Charter School Facilities Incentive Grant Award Total: \$57 million—Fiscal Years 2004 through 2009*

#### Charter School Facility Grant Program (SB 740)

**Website:** <http://www.cde.ca.gov/sp/cs/as/facgrntoc.asp>

**Statutory Reference:** <http://bit.ly/cWSVYU> (Section 47614.5)

Established in 2001, this program provides an annual appropriated reimbursement of up to \$750 per pupil for up to 75% of actual facilities rental and lease costs. A charter school is eligible only if it operates a classroom-based instructional program and is located in an elementary school attendance area or has a student population of which at least 70% is eligible for the federal free and reduced-price lunch program. Historically, the program was used to reimburse eligible charter schools for prior year expenses. Commencing in Fiscal Year 2010, the program will allocate grants to eligible charter schools on a current year basis; however, funding appropriated for Fiscal Year 2010 will first be used to reimburse eligible charter schools for Fiscal Year 2009 facilities costs.

#### Charter Schools Facilities Program (CSFP)

**Website:** <http://www.opsc.dgs.ca.gov/Programs/SFProgams/CSF.htm>

**Statutory Reference:** <http://bit.ly/93XDvP>

In 2002, California created the Charter Schools Facilities Program, which authorizes the State Allocation Board (SAB) to provide per pupil facilities grant funding for 50% of the total project cost for new construction of charter school facilities. The CSFP was expanded in 2006 to allow grant funding to be used for rehabilitation of existing, district-owned facilities that are at least 15 years old for use by charter

schools. CSFP funding is only available to charter schools that provide site-based instruction for at least 80% of the time and are determined to be financially sound by the California School Finance Authority. In addition, the grant funding requires a 50% local match. The state provides a lease option whereby a school can borrow from the state in lieu of raising matching funds. Grant awards are made in the form of preliminary apportionments (i.e., reservation of funds), which must be converted within a four-year period to adjusted grant apportionments. The CSFP has received \$900 million in bond funding through three different propositions. To date, 64 projects have received apportionments for the full amount.

- Proposition 47 provided \$100 million in November 2002 that was awarded to six applicants in July 2003.
- Proposition 55 provided \$300 million in March 2004 that was awarded to 28 applicants in February 2005.
- Proposition 1D provided \$500 million in November 2006 that was preliminarily apportioned to 24 applicants in 2008 and one applicant in 2009.

In May 2009, the SAB approved a new round of CSFP funding that included approximately \$51 million in recycled CSFP funds. However, as a result of California's recent budget crisis, the state has not fully funded all Proposition 1D awards that it preliminarily apportioned, and the program is frozen indefinitely.

Lease/loan payments for the 2003 awardees were estimated by the California School Finance Authority using a 3% interest rate and a 30-year term, while those for the 2005 awardees were estimated using a 4.5% interest rate and a 30-year term. Most Proposition 1D apportionments were based on interest rate estimates of 5.5%.

### **Charter School Revolving Loan Fund (CSRLF)**

**Website:** <http://www.cde.ca.gov/sp/cs/as/csrevloantoc.asp>

**Statutory Reference:** <http://bit.ly/azMku0> (Sections 41365 to 41367)

California charter schools can apply directly or jointly with their charter authorizing entities to the California Department of Education for low-interest loans from the state's Charter School Revolving Loan Fund for purposes established in their charters. The CSRLF was established in 1996 and is available to non-conversion charter schools that have not yet had their charters renewed and are not more than five years old. Priority is given to new charter schools using the loans for start-up expenses. A charter school may receive multiple loans as long as the total amount does not exceed \$250,000, and loans must be repaid within five years. Funds may be used for, but are not limited to, leasing and renovating facilities. Loans carry a fixed interest rate that is generally several percentage points below rates provided by private lenders. Funds not used in any given year are carried over to the next fiscal year. For Fiscal Year 2009, of the \$17 million available through the CSRLF, \$9.5 million was disbursed. Thus far for Fiscal Year 2010, of the \$10 million available through this program, \$2.8 million has been disbursed.

### **Proposition 39**

**Statutory Reference:** <http://bit.ly/cWSVYU> (Section 47614)

This California mandate, which passed in the November 2000 general election, stipulates that students who attend a charter school in their district have facilities that are "sufficient" and "reasonably equivalent" to other schools in the district.

### **Public School Choice Initiative**

**Website:** [http://notebook.lausd.net/portal/page?\\_page-id=33,1129253&\\_dad=ptl&\\_schema=PTL\\_EP](http://notebook.lausd.net/portal/page?_page-id=33,1129253&_dad=ptl&_schema=PTL_EP)

In 2009, the School Board of the Los Angeles Unified School District (LAUSD) embarked on a new effort to expand the number of high-quality school options available to families and students by issuing a Request for Proposals (RFP) for eligible groups to operate schools in excess LAUSD facilities. LAUSD's Superintendent invited charter school operators, nonprofits and district-based teams with proven track records of success to propose plans to operate chronically underperforming schools and open newly constructed schools. In February 2010, the operation of 36 schools was granted to a variety of stakeholders, including four charter school operators—Aspire Public Schools, Camino Nuevo Charter Academy, Magnolia Schools and Para Los Niños. All charter schools selected in the first round will operate in new facilities and must develop a new charter petition to open the school. Additional RFPs will be issued annually going forward.

### **California Municipal Finance Authority (CMFA) Conduit Financing**

**Website:** <http://www.cmfa-ca.com>

**Statutory Reference:** <http://bit.ly/aEXEBg> and <http://bit.ly/9iLAHC>

The California Municipal Finance Authority is a joint powers authority created to support economic development, job creation and social programs throughout the state. CMFA shares 25% of the issuance fees on a transaction with the sponsoring municipality and provides a grant equal to another 25% of the issuance fees to the California Foundation for Stronger Communities to fund charities located within the sponsoring community. Charter schools in California are eligible to access tax-exempt financing through CMFA for their facilities projects. CMFA has closed on \$68.4 million in tax-exempt bond financing for four charter organizations: a \$25.5 million 2006 bond issue for American Heritage Education Foundation, the parent company of Escondido Charter High School and Heritage K-8 Charter School; a \$23.5 million 2008 bond issue for High Tech High; a \$10.5 million 2008 bond issue for Orange County Educational Arts Academy; and an \$8.9 million 2009 bond issue for King-Chavez Public Schools.

### **California Statewide Communities Development Authority (California Communities) Conduit Financing**

**Website:** <http://www.cacommunities.org>

**Statutory Reference:** <http://bit.ly/aEXEBg> and <http://bit.ly/9iLAHC>

Charter schools in California also have access to tax-exempt bond financing for their facilities needs through the California Statewide Communities Development Authority, which is a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. California Communities was created to provide local governments and private nonprofit entities access to tax-exempt financing for projects that create jobs, help communities prosper and improve the quality of life in California. To date, California Communities has completed four charter school facilities financings, including three for Aspire Public Schools totaling \$123.3 million and one for Natomas Charter School in Sacramento for \$1.8 million.

### **California School Finance Authority (CSFA) Conduit Financing**

**Website:** <http://www.treasurer.ca.gov/csfa/>

**Statutory Reference:** <http://bit.ly/9RFZy7>

The California School Finance Authority was created in 1985 to finance educational facilities and provide school districts and community college districts access to working capital. Since its inception, CSFA has developed a number of school facilities financing programs and has recently focused on assisting charter schools to meet their facility needs. CSFA administers the Charter School Facilities Program, the State Charter School Facilities Incentive Grants Program, the Qualified School Construction Bond Program and also serves as a conduit for charter schools seeking to issue tax-exempt debt.

### **Q-Bond Programs**

Charter schools are eligible to participate in California's Q-Bond Programs. Charter schools may apply for a QZAB allocation directly or through the districts in which they are located. Since 2006, five charter school QZAB applications have been approved; however, only one charter school has closed a QZAB financing. For Fiscal Year 2009, \$73 million of the state's \$773 million QSCB allocation was reserved for charter schools; however, none of the \$73 million has been issued to date.

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## **Colorado**

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### **Charter Schools Capital Construction Funding**

**Website:** <http://www.cde.state.co.us/cdefinance/CapConstCharterSccls.htm>

**Statutory Reference:** <http://bit.ly/ddUkAW> (Colorado Revised Statutes => Title 22 Education => Article 54 Public School Finance Act of 1994 => Section 22-54-124)

Pursuant to Colorado's Public School Finance Act, charter schools are entitled to per pupil facilities aid from the state education fund for capital construction. All charter schools with capital construction needs are eligible for funding; however, a charter school located in a district facility will receive only half its allocated amount. Eligible uses include

the construction, demolition, renovation, financing and purchase or lease of facilities for charter schools. Current legislation stipulates that \$5 million in state education fund monies will be appropriated for this per pupil facilities program through Fiscal Year 2010, with the exception of Fiscal Year 2007, when \$7.8 million was appropriated. As the number of students in Colorado charter schools has increased, this funding has declined on a per pupil basis from a high of \$327 per pupil in Fiscal Year 2003 to a low of \$98 per pupil in Fiscal Year 2010. This funding is appropriated to the Colorado Department of Education's Public School Finance Unit, which makes lump sum payments to eligible school districts and institute charter schools (charters authorized by the State Charter School Institute). School districts are responsible for distributing funding to charter schools.

### **Building Excellent Schools Today (BEST) Grant Program**

**Website:** <http://www.cde.state.co.us/cdefinance/CapConstBEST.htm>

**Statutory Reference:** <http://bit.ly/ddUkAW> (Colorado Revised Statutes => Title 22 Education => Financial Policies and Procedures => Article 43.7 Capital Construction Assistance => Part 1 School District Capital Construction Assistance Program)

In 2008, the Colorado Legislature established Building Excellent Schools Today, a competitive grant program administered by the Division of Public School Capital Construction Assistance that provides funding for new construction and the renovation of existing school facility systems and structures. Funding for the program is subject to annual appropriation from revenues from the state's School Trust Lands, which are properties the federal government granted to Colorado upon statehood for the benefit of its school children. Grants must be matched with local funding at a percentage determined by the Public School Capital Construction Assistance Board after consideration of the applicant's financial capacity. Eligible applicants include school districts, charter schools and institute charter schools that have been in operation for at least five years, BOCES (Boards of Cooperative Educational Services) and the Colorado School for the Deaf and Blind. Charter school applicants must notify their authorizer three months in advance of applying for BEST funds. The program is anticipated to fund up to \$500 million in capital projects. Priority is given as follows: projects that address safety hazards and health concerns; projects that relieve overcrowding; projects that incorporate technology into the educational environment; and all other projects. In Fiscal Year 2009, eight grant awards were made totaling \$132 million, including grants to six charter schools totaling \$16 million.

### **School District Bond Election Inclusion & Mill Levy Provisions**

**Statutory Reference:** <http://bit.ly/ddUkAW> (Colorado Revised Statutes => Title 22 Education => School Districts => Article 30.5 Charter Schools => Part 4 Charter School Capital Facilities Financing Act => Sections 22-30.5-404 and 405)

The Colorado Charter School Capital Facilities Financing Act of 2002 encourages each school district considering submitting a bond approval request to district voters to voluntarily include a charter school's capital

construction funding needs in its request; otherwise, a charter school may request to be included. A school district, on a charter school's behalf, may also submit a ballot question for approval of a special mill levy solely for the charter school's facilities. Although the original law prohibited charter school capital construction financed with bond revenues to be encumbered with any additional debt, it was amended in 2009 to permit additional debt with district approval.

The 2009 amendment instituted several other changes, including requiring school districts to include charter school representatives on long-range planning committees or any committee established by the school district to assess or prioritize the district's capital construction needs. The amended law also encourages school districts and charter schools to agree to an alternative financial plan that addresses a charter school's facilities needs, including retiring financial obligations or bonds previously issued for the benefit of the charter school. The revised statute prohibits charter schools authorized in the last five years or those on probation to participate in bond issues. Additionally, the 2009 amendment allows ownership of a charter school facility to revert to a school district if the charter school closes for any reason.

A charter school must submit a capital construction plan to the board of education of its school district to determine the priority of the charter school's needs in relation to the capital construction needs of the entire district. The 2009 amended statute requires charter school capital needs to be placed on districts' priority lists, ranked by health and safety, overcrowding and technology upgrades. If a board determines that a charter school has established capital construction needs, a need to incur bonded indebtedness or obtain revenues from a special mill levy and a viable plan, the board may either include it in the district's bond approval request to district voters or submit a separate special mill levy question to voters. If the board determines otherwise, it may still submit a special mill levy ballot question to voters upon a charter school's request solely for the charter school. If district voters approve the mill levy, which may not exceed 1 mill or 10 years in duration, taxes will be levied, and the charter school will receive the revenues generated from the levy. Six school districts have included charter school requests in their ballot questions, resulting in funding of several charter school projects. In addition, four ballot questions have been placed in front of the voters exclusively on behalf of charter schools; however, none were successful.

#### **Moral Obligation Program**

**Website:** <http://www.colorado.gov/cs/Satellite/Treasury/TR/1190277266181>

**Statutory Reference:** <http://bit.ly/ddUkAW> (Colorado Revised Statutes => Title 22 Education => School Districts => Article 30.5 Charter Schools => Part 4 Charter School Capital Facilities Financing Act => Sections 22-30.5-407 and 22-30.5-408)

In May 2002, the Colorado Legislature passed the School Finance Act, which, among other features, included a moral obligation clause. This

clause allows any Colorado charter school that carries an investment grade rating to attach the state's moral obligation pledge to its debt. With this pledge, the state agrees to seek an appropriation to pay debt service in the event that a charter school defaults, thus providing significant additional security to the end lender or bondholder. The state appropriated \$1 million for a reserve fund to cover potential defaults that, if tapped, would be replaced by future charter school appropriations. If a charter school chooses to use the moral obligation pledge, it must place a portion of the debt service savings (from the lower interest rate due to this enhancement) into a common reserve fund, which provides liquidity to fend against defaults. There have been no draws on the moral obligation reserve fund since the program was established.

#### **Charter School Intercept Program**

**Website:** <http://www.colorado.gov/cs/Satellite/Treasury/TR/1190277266181>

**Statutory Reference:** <http://bit.ly/ddUkAW> (Colorado Revised Statutes => Title 22 Education => School Districts => Article 30.5 Charter Schools => Part 4 Charter School Capital Facilities Financing Act => Sections 22-30.5-406)

Through the Charter School Intercept Program, a charter school that is entitled to receive monies from the state public school fund may request that the State Treasurer make direct payments of principal and interest on the bonds on behalf of the charter school. The State Treasurer withholds the amount of any direct payments made on behalf of the charter school, plus administrative costs, from the payments to the chartering school district, and the chartering district reduces the amount of funding it provides to the charter school by such amounts. This intercept mechanism does not require the state to continue the payment of state assistance or prohibit the state from repealing or amending any law relating to the amount or timing of the payment of such assistance. As of September 30, 2009, 46 charter schools have participated in this program.

#### **Colorado Educational and Cultural Facilities Authority (CECFA) Conduit Financing**

**Website:** <http://www.cecfa.org>

**Statutory Reference:** <http://bit.ly/ddUkAW> (Colorado Revised Statutes => Title 23 Higher Education and Vocational Training => State Universities and Colleges => General and Administrative => Article 15 Colorado Educational and Cultural Facilities Authority)

In Colorado, tax-exempt bond financing may be issued for charter schools through the Colorado Educational and Cultural Facilities Authority. CECFA provides financing for non-institute charter schools, colleges, universities, certain secondary schools and other educational institutions, as well as cultural entities. CECFA has issued more than \$700 million in bonds to support 50 charter school facilities in Colorado. CECFA typically issues on behalf of schools that have been in existence for at least three years and have a minimum of 300 students.



## Q-Bond Programs

Charter schools are eligible to participate directly in Colorado's QSCB Program and can participate in the QZAB Program through their LEAs. No QSCBs have been issued for charter schools to date. One charter school received a \$3 million QZAB allocation; however, the financing has not closed.

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## Connecticut

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### Facility Grant

**Statutory Reference:** <http://bit.ly/c3zJNj> (Sections 10-66hh and 10-66jj)

In 2001, Connecticut enacted legislation and appropriated funds for Fiscal Years 2002 and 2003 for a program to assist charter schools with capital expenses. The program, which is administered by the Connecticut Department of Education, initially provided one-time facilities grants of up to \$500,000 to charter schools that received charter renewals in the preceding fiscal year. Eligible uses include renovation, construction, purchase, extension, replacement or major alteration, general school building improvements and repayment of debt from prior school building projects.

The Connecticut General Assembly renewed the program in 2005 for Fiscal Years 2006 and 2007 and made several modifications to the enabling legislation. The language limiting charter schools to a single grant capped at \$500,000 was eliminated and the eligibility restriction to schools with charter renewals in the preceding year was removed. The renewed statute requires that preference be given to applications that include matching funds from non-state sources. To fund the program, the State Bond Commission was given the power to authorize the issuance of up to \$10 million. Of this total, \$5 million was authorized for 11 charter school facilities projects in 2006. An additional \$5 million was authorized for ten charter school facilities projects in 2007. During its 2007 special session, the Connecticut General Assembly authorized an additional \$10 million for the program; however, the State Bond Commission has not yet authorized bonding with these funds.

### Charter School Construction Grant Program

**Statutory Reference:** <http://bit.ly/atBSMo>

In 2006, Connecticut created a pilot program for the development of a facility for use by a charter school. The authorizing statute stipulated that the amount of the grant shall be equal to the net eligible expenditures multiplied by the school construction reimbursement rate for the town in which the facility is located. Eligible applicants included charter schools that had been in operation for at least five years and that had their charters renewed. Schools were assessed on academic performance, student attendance, student program completion and parental involvement. In 2006, the Commissioner of Education awarded Amistad Academy in New Haven a \$25 million grant to purchase and renovate a facility to expand its program to grades K-12. It is not anticipated that additional charter school facilities projects will be funded through this program in the future.

## Connecticut Health and Educational Facilities Authority (CHEFA) Conduit Financing

**Website:** <http://www.chefa.com>

**Statutory Reference:** <http://bit.ly/cmRYzC>

The Connecticut Health and Educational Facilities Authority was created in 1965 to serve as a conduit issuer of tax-exempt debt for eligible health, educational and cultural nonprofit organizations in Connecticut. In the past, charter schools have accessed loans for their facilities needs through CHEFA's Charter School Loan Program. With funding from its reserves, CHEFA provided \$1.7 million in loans to 12 charter schools from 1997 to 2003. These loans had an interest rate of 5.9% and a maximum term of five years. CHEFA's reserve funds are now depleted, and it does not anticipate making additional loans in the future.

## Q-Bond Programs

Charter schools are eligible for Connecticut's Q-Bond Programs; however, no charter schools have accessed financing through either program to date.

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## Delaware

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### Delaware Economic Development Authority (DEDA) Conduit Financing

**Website:** <http://dedo.delaware.gov/TaxExempt.shtml>

**Statutory Reference:** <http://bit.ly/dcNhgF>

Charter schools in Delaware are eligible to access tax-exempt bond financing through the Delaware Economic Development Authority, which provides statewide financial assistance to new or expanding businesses, governmental units and certain organizations that are exempt from federal income tax. However, two charter schools which sought issuance through DEDA eventually issued bonds through other conduit issuers.

### County Conduit Financing

**Statutory Reference:**

**Kent County:** <http://bit.ly/9rJGkM> (Chapter 30 Economic and Maritime Development, Office of)

**New Castle County:** <http://bit.ly/cnoZCQ> (Chapter 14 Finance and Taxation => Article 8 Financing through Revenue Bonds => Sections 14.08.201 to 14.08.215)

**Sussex County:** <http://bit.ly/9ojvbA> (Section 7002(t))

As nonprofit entities, Delaware charter schools have access to the tax-exempt bond market through the county in which they reside, which functions as the conduit issuer. To date, at least two charter schools have successfully issued tax-exempt bonds at the county level, including Newark Charter School, which issued \$15 million in bonds through New Castle County, and Providence Creek Academy, which issued \$13.1 million of debt through Kent County.

## Q-Bond Programs

Charter schools may participate in Delaware's Q-Bond Programs; however, none have applied for either program to date.

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## Florida

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### Charter School Capital Outlay Funding

**Website:** <http://www.fldoe.org/edfacil/oef/chartsup.asp>

**Statutory Reference:** <http://bit.ly/cDv2Y7>

In Florida, eligible charter schools have been provided with an appropriated per pupil facilities allocation of Charter School Capital Outlay funding since 1998. To be eligible, a charter school must meet the following criteria:

- have been in operation for at least three years, be an expanded feeder chain of a charter school within the same school district that is currently receiving funding, or have been accredited by the Commission on Schools of the Southern Association of Colleges and Schools;
- have financial stability for future operation as a charter school;
- have satisfactory student achievement based on state accountability standards;
- have received final approval from its sponsor for operation during that fiscal year; and
- serve students in facilities that are not provided by the charter school's sponsor.

Funds may be used for the purchase of real property; construction; purchase, lease-purchase or lease of permanent or relocatable school facilities; purchase of vehicles for student transportation; and renovation, repair and maintenance of school facilities that the charter school owns or is purchasing through a lease-purchase or lease of five years or longer. The statute was amended in 2009 to expand eligible uses to include capital equipment; administrative and school reporting software; motor vehicles used by the school; and property and casualty insurance premiums.

Depending on actual appropriations, the program has been funded at a percentage of charter school projected student enrollment multiplied by 1/15th of the cost per student station as specified in Florida Statute 1013.64(6)(b) for an elementary, middle or high school student, with the percentage determined by the amount appropriated. In 2006, the Florida Legislature established priorities for capital outlay funding whereby schools awarded funding in Fiscal Year 2005-2006 receive first priority for the lesser of their current enrollment or their enrollment in Fiscal Year 2005-2006. Excess funds are allocated to all other schools and to cover enrollment increases for schools funded in Fiscal Year 2005-2006.

The Office of Educational Facilities at the Florida Department of Education distributes funds on a monthly basis to school districts, which must remit funds to charter schools within ten days. Program appropriations over the past five years totaled approximately \$246 million:

- \$27.7 million in Fiscal Year 2005-2006 allocated to 210 charter schools
- \$53.1 million in Fiscal Year 2006-2007 allocated to 233 charter schools
- \$54.0 million in Fiscal Year 2007-2008 allocated to 249 charter schools
- \$55.1 million in Fiscal Year 2008-2009 allocated to 282 charter schools
- \$56.1 million in Fiscal Year 2009-2010 allocated to 304 charter schools

For Fiscal Year 2009-2010, the average per-student allocation was \$491, \$555 and \$732 per elementary, middle and high school student, respectively.

### Mill Tax Levy

**Statutory Reference:** <http://bit.ly/9SEaDR>

At its discretion, Florida school boards may levy up to 1.5 mills for district schools, including charter schools, for the construction, renovation, remodeling, maintenance and repair or lease of educational facilities; equipment; and administrative and school reporting software. To meet critical district fixed capital outlay needs, school boards may levy up to an additional 0.25 mills, not to exceed 1.75 mills, for fixed capital outlay in lieu of an equivalent amount of the discretionary mills for operations. An additional 0.25 mill levy for critical outlay needs may be authorized by a super majority vote of a school board, not to exceed 2 mills. This additional levy must also be approved by district voters in the next general election. Funds raised via a mill levy are administered by the school district in which they are raised.

### Educational Impact Fees

**Statutory Reference:** <http://bit.ly/dvGzY> (Section (18)(f))

To the extent that charter school facilities are specifically created to mitigate the educational impact created by the development of new residential dwelling units, some or all of the educational impact fees required to be paid in connection with the new residential dwellings may be designated instead for the construction of charter school facilities.

### Municipal Conduit Financing

**Statutory Reference:** <http://bit.ly/9Wnp3F>

The Florida Industrial Development Financing Act of the Florida Statutes authorizes any county or municipality to issue tax-exempt industrial development revenue bonds to finance the cost of eligible projects, including facilities owned and operated by charter schools.

## Q-Bond Programs

Charter schools are eligible to participate in Florida's QSCB Program, which is administered by the Office of Educational Facilities at the Florida Department of Education. Charter schools are not eligible to receive financing through the state's QZAB Program.

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## Georgia

### Facilities Fund for Charter Schools

**Statutory Reference:** <http://bit.ly/bMCGKM> (Title 20 Education => Chapter 2 Elementary and Secondary Education => Article 31 Charter Schools Act of 1998 => 20-2-2068.2)

In 2004 amendments to the Charter Schools Act of 1998, the Georgia General Assembly directed the State Board of Education to establish a need-based, per pupil facilities grant program by creating a facilities fund for charter schools. Eligible uses include: the purchase of real property; construction of school facilities; purchase, lease-purchase or lease of permanent or relocatable school facilities; purchase of transportation vehicles; and renovation, repair and maintenance of school facilities that are owned by the charter school or are being purchased through a lease-purchase or long-term lease of five years or longer. No funds were appropriated for Fiscal Year 2005; however, the Georgia General Assembly appropriated \$500,000 in Fiscal Year 2006, \$950,000 annually in Fiscal Years 2007 and 2008, and \$2.5 million annually in Fiscal Years 2009 and 2010. The Charter Schools Office of the Georgia Department of Education administers this competitive program. All charter schools are eligible to apply and awards are based on a variety of factors, including demonstrated need, quality of application, student success and evidence of facility ownership or a path to ownership. Approximately 23 charter schools receive funding through this program annually.

### County Development Authority Conduit Financing

**Statutory Reference:** <http://bit.ly/bMCGKM> (Title 36 Local Government => Provisions Applicable to Counties and Municipal Corporations => Chapter 62 Development Authorities)

Charter schools in Georgia have access to tax-exempt financing through county development authorities.

## Q-Bond Programs

Conversion charter schools are eligible to access financing through Georgia's Q-Bond Programs, which are administered by the Office of Finance & Business Operations at the Georgia Department of Education.

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## Hawaii

### Per Pupil Allocation

**Statutory Reference:** <http://bit.ly/cXStRH> (Section 302B-12(b))

For Fiscal Year 2006-2007, the supplemental budget act included an appropriation of \$3.2 million for a per pupil facilities allowance for non-conversion charter schools in Hawaii. This appropriation provided \$686 per pupil to 27 charter schools. Funds were used for the following

expenses: lease, rent and/or building improvements; utilities, emergency generators, maintenance or minor facility repairs; major renovations or improvements that added to the useful life of the facility; and improvements that added capacity to the school's infrastructure for the purpose of improving a virtual education program. The program has not received an appropriation since Fiscal Year 2006-2007.

## Q-Bond Programs

Hawaii charter schools are eligible to participate in the state's QZAB Program; however, no charter schools have applied to date.

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## Idaho

### Idaho Housing and Finance Association (IHFA) Conduit Financing

**Website:** <http://www.ihfa.org>

**Statutory Reference:** <http://bit.ly/cbCK6H> (Title 67 State Government and State Affairs => Chapter 62 Idaho Housing and Finance Association)

As nonprofit organizations, charter schools are eligible for tax-exempt facilities financing utilizing Nonprofit Facilities Revenue Bonds issued by the Idaho Housing and Finance Association. IHFA has closed 12 offerings for charter schools, ranging in size from \$750,000 to \$11.7 million and totaling \$38.3 million.

## Q-Bond Programs

Charter schools are eligible to participate in Idaho's Q-Bond Programs; however, no charter schools have accessed financing through either program to date.

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## Illinois

### Charter Schools Revolving Loan Fund

**Statutory Reference:** <http://bit.ly/9AssSG> (Section 27A-11.5(3))

The Accountability Division at the Illinois State Board of Education administers the Charter Schools Revolving Loan Fund, which provides interest-free loans to charter schools for acquiring and remodeling facilities and for start-up costs of acquiring educational materials and supplies, textbooks, furniture and other equipment. A charter school may apply for a loan once it is certified by the State Board of Education, and all charter schools are eligible to participate in the loan program within their initial term. Loans are limited to one per charter school and may not exceed \$250 per student. Full loan repayment is required by the end of the initial charter term, which is usually five years, and loan repayments are deposited back into the fund for future use by other charter schools. The fund received an allocation of \$2 million in Fiscal Year 2004 and has received a \$20,000 annual allocation since then. Approximately 17 charter schools have received loans through this program, including one in 2008 and one in 2009. Currently, the fund has \$30,000 in loans outstanding for three charter schools.

## Illinois Finance Authority (IFA) Conduit Financing

**Website:** <http://www.idfa.com/>

**Statutory Reference:** <http://bit.ly/9laBOi>

The Illinois Finance Authority is a self-financed state authority principally engaged in issuing taxable and tax-exempt bonds, making loans and investing capital for businesses, nonprofit corporations, agriculture and local government units. IFA was created in January 2004 through the consolidation of seven statewide authorities. Charter schools in Illinois can access tax-exempt revenue bond and lease financing for capital projects through IFA.

### Q-Bond Programs

The Governor's Office of Management and Budget administers the state's QSCB Program. None of the state's allocation was made available for charter schools. Charter schools in Illinois are eligible to participate in the state's QZAB Program; however, they must apply through their sponsoring school district.

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## Indiana

*State Charter School Facilities Incentive Grant Award Total: \$5 million—Fiscal Year 2009*

### Conduit Financing & Moral Obligation Pledge

#### Indiana Bond Bank

**Website:** <http://www.in.gov/bond>

#### Indianapolis Local Public Improvement Bond Bank

**Website:** <http://www.indy.gov/eGov/City/BondBank>

**Statutory Reference:** <http://bit.ly/9K6JAz> (Indiana Bond Bank) and <http://bit.ly/9uiKsk> (Local Public Improvement Bond Banks)

*ED Credit Enhancement Award Total: \$2 million—Fiscal Year 2005*

In 2002, the Indiana Legislature authorized mayor-sponsored charter schools in Indianapolis to obtain financing through the Indianapolis Local Public Improvement Bond Bank and all other charter schools to obtain financing through the Indiana Bond Bank. In addition to having access to these public authorities as conduit issuers, charter schools can benefit from the moral obligation pledge of the city or state, respectively, to debt issued through these authorities. This enhancement gives additional security to investors purchasing and holding these bonds. The Indianapolis Local Public Improvement Bond Bank received \$2 million in ED credit enhancement grant funds, which it originally used in conjunction with the moral obligation pledge to support the Indianapolis Charter Schools Facilities Fund; however, this fund is no longer operating. The city is currently deciding how to redeploy its ED grant funds to support the facilities needs of charter schools going forward.

## Q-Bond Programs

Charter schools are eligible to participate in Indiana's Q-Bond Programs, which are administered by the Indiana Department of Education's Office of School Finance. Six charter schools received \$27 million of the state's 2009 QSCB allocation; however, no QSCB financings have closed to date. No charter schools have applied to the QZAB Program.

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## Iowa

### Charter School Facilities

**Statutory Reference:** <http://bit.ly/9HE6M2>

A charter school in Iowa may be established by creating a new school within an existing public school or by converting an existing public school to charter status. A charter school is established with a contract between the board of a school district and the State Board of Education whereby the school district runs the charter school. As such, charter schools generally share facilities with traditional public schools in the district.

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## Kansas

### Kansas Development Finance Authority (K DFA) Conduit Financing

**Website:** <http://www.kdfa.org>

**Statutory Reference:** <http://bit.ly/9iofxs> (Chapter 74 State Boards, Commissions and Authorities => Article 89 Development Finance Authority)

Charter schools in Kansas are eligible to access tax-exempt financing through the Kansas Development Finance Authority, which was created in 1987 to promote economic development for the state. K DFA facilitates long-term financing for capital projects and programs through the issuance of taxable and tax-exempt bonds or other securities and has broad authorization to issue bonds for public and private educational facilities. K DFA has completed financings for educational facilities such as residence halls, recreation facilities, student unions, research facilities, classrooms, auditoriums, stadiums and arenas. To date, no charter schools have accessed such financing.

### Q-Bond Programs

Charter schools in Kansas are eligible to participate in the state's Q-Bond Programs through their school districts; however, no charter schools have applied to either program to date.

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## Louisiana

In Louisiana, there are five types of charter schools:

*Type 1:* A new school chartered between a nonprofit corporation created to operate the school and a local school board.

*Type 2:* A new school chartered or a preexisting public school converted by a charter between a nonprofit corporation and the State Board of Elementary and Secondary Education (BESE).

*Type 3:* A preexisting public school converted by a charter between a nonprofit corporation and a local school board.

*Type 4:* A preexisting public school converted by a charter between a local school board and BESE.

*Type 5:* A preexisting public school transferred to the Recovery School District and chartered between a nonprofit corporation and BESE, or between a nonprofit corporation and a city, parish or other local school board.

### **Louisiana Charter School Start-Up Loan Fund**

**Statutory Reference:** <http://bit.ly/8YEgqR>

The Louisiana Charter School Start-Up Loan Fund provides zero-interest loans, which may be used for start-up expenses for both new and existing Types 1, 2 and 3 charter schools and for administration and legal costs associated with the charter school program. The fund provides loans of up to \$100,000 with terms of up to three years. Loans may be used to purchase tangible items, including equipment, instructional materials and technology as well as for facility acquisition, upgrade and repairs. The program is administered by BESE and is subject to annual appropriation by the state Legislature.

Program eligibility is dependent on charter type. A Type 2 charter school automatically receives this funding if the budget within its charter proposal includes a request for loan funding that complies with program requirements. A Type 1 or Type 3 charter school approved by a local school board must apply to BESE for funding. Types 4 and 5 charter schools, which constitute approximately 68% of Louisiana charter schools, are not eligible. The fund has received allocations totaling approximately \$7.8 million over the past seven years:

- \$2.2 million in Fiscal Year 2004
- \$2.3 million in Fiscal Year 2005
- \$715,000 in Fiscal Year 2006
- \$680,000 in Fiscal Year 2007
- \$673,000 in Fiscal Year 2008
- \$677,000 in Fiscal Year 2009
- \$537,000 in Fiscal Year 2010

### **Louisiana Public Facilities Authority (LPFA) Conduit Financing**

**Website:** <http://www.lpfa.com>

**Statutory Reference:** <http://bit.ly/caR121>

Charter schools in Louisiana are eligible to access tax-exempt financing through the Louisiana Public Facilities Authority, a financing authority created in 1974 as a public trust of which the State of Louisiana is the beneficiary. The primary mission of LPFA is to further education, health-care, economic development and job creation in Louisiana.

### **Louisiana Community Development Authority (LCDA) Conduit Financing**

**Website:** <http://www.louisianacda.com>

**Statutory Reference:** <http://bit.ly/9enupC> (Sections 4548.1 to 4548.15)

Charter schools in Louisiana are eligible to access tax-exempt financing through LCDA, a public financing authority created in 1991 to provide local governments with financial services information and serve as a conduit for municipalities, parishes, school boards and special districts. LCDA has issued the state's only charter school QZAB to date.

### **Q-Bond Programs**

Charter schools are eligible to participate in Louisiana's Q-Bond Programs. The Louisiana Community Development Authority issued a \$500,000 QZAB on behalf of one charter school. No QSCBs have been issued for charter schools to date.

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## **Maryland**

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### **Maryland Economic Development Corporation (MEDCO) Conduit Financing**

**Website:** <http://www.medco-corp.com>

**Statutory Reference:** <http://bit.ly/9opT0d> (Maryland Code => Economic Development => Title 10 Statewide Development Resources and Revenue Authorities => Subtitle 1 Maryland Economic Development Corporation)

The Maryland Economic Development Corporation was founded in 1984 to promote employment, business activity and economic development in the state. MEDCO issues debt on behalf of business incubators, tourism projects, manufacturing projects, higher education projects and non-profit organizations, including charter schools.

### **Maryland Health and Higher Educational Facilities Authority (MHHEFA) Conduit Financing**

**Website:** <http://www.mhhefa.org>

**Statutory Reference:** <http://bit.ly/9opT0d> (Maryland Code => Economic Development => Title 10 Statewide Development Resources and Revenue Sources => Subtitle 3 Maryland Health and Higher Educational Facilities Authority)

The Maryland Health and Higher Educational Facilities Authority issues tax-exempt debt for facilities projects on behalf of educational and health care institutions. MHHEFA issued its first \$13.7 million charter school bond in March 2010 for Patterson Park Public Charter School in Baltimore.

## Maryland Industrial Development Financing Authority Conduit Financing

**Website:** <http://www.choosemaryland.org/businessresources/Pages/MIDFA.aspx>

**Statutory Reference:** <http://bit.ly/9opT0d> (Maryland Code => Economic Development => Title 5 Economic Development and Financial Assistance Programs => Subtitle 4 Maryland Industrial Development Financing Authority)

Charter schools are also eligible to access tax-exempt financing through the Maryland Industrial Development Financing Authority, which serves as a conduit issuer for nonprofit organizations, including charter schools.

## Local Development Authorities Conduit Financing

**Statutory Reference:** <http://bit.ly/9opT0d> (Maryland Code => Economic Development => Title 12 Local Development Authorities and Resources => Subtitle 1 Economic Development Revenue Bond Act)

Charter schools may apply for bond financing through various county and city industrial development authorities in Maryland.

## Q-Bond Programs

A charter school is eligible to participate in Maryland's Q-Bond Programs if it is located in a building owned by a local board of education. No charter schools have received financing through either program to date.

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## Massachusetts

### Per Pupil Facilities Allocation

**Statutory Reference:** <http://bit.ly/cg66Vc> (Section (nn))

Subject to legislative appropriation, Massachusetts charter schools receive a per pupil capital needs allowance as part of their per pupil tuition revenue. The per pupil capital needs component for each year is calculated by the Massachusetts Department of Elementary & Secondary Education based on the statewide per pupil average expenditure from state and local sources for capital costs associated with payments, including interest and principal payments, for the construction, renovation, acquisition or improvement of school buildings and land for the most recent year district expenditures were reported. For Fiscal Years 2006, 2007 and 2008, the per pupil capital needs component was \$776, \$811 and \$849, respectively. For Fiscal Years 2009 and 2010, the per pupil capital needs component was \$893.

### Massachusetts Development Finance Agency (MassDevelopment) Conduit Financing & Guarantee Program

**Website:** <http://www.massdevelopment.com>

*ED Credit Enhancement Award Total: \$10 million—Fiscal Years 2003 and 2004*

In Massachusetts, charter schools may access tax-exempt bond financing for capital projects through the Massachusetts Development Finance Agency, a quasi-public state authority responsible for economic development lending. Since 1995, MassDevelopment has closed on \$368

million in financing on behalf of 59 charter schools, including \$51.4 million in QZAB issuance for ten charter schools.

In addition, MassDevelopment has received \$10 million in ED credit enhancement grant funds, which it has used to create the Massachusetts Charter School Loan Guarantee Fund. Created in partnership with and supported by the Massachusetts Charter Public School Association, the Massachusetts Department of Elementary & Secondary Education's Charter School Office, The Boston Foundation and LISC, the fund guarantees debt for the acquisition, construction, renovation and leasehold improvement of charter school facilities. The federal grant monies are matched by \$1 million from MassDevelopment, \$2.5 million from The Boston Foundation and \$1 million from LISC. To date, the fund has provided \$15.5 million in credit enhancement that has leveraged \$112.5 million in financing for 14 schools.

## Q-Bond Programs

Charter schools in Massachusetts are eligible to participate in the state's Q-Bond Programs. To date, \$51.4 million in QZABs has been issued on behalf of ten charter schools. The Massachusetts School Building Authority has reserved \$8.8 million of the state's QSCB allocation for charter schools.

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## Michigan

### Tax Authority

**Statutory Reference:** <http://bit.ly/cQZ7Mv> (Section 380.503a)

Revenue from taxes levied or bonds issued by a school district may be used to support the operation or facilities of a public school academy (PSA or charter school) operated by the school district.

### Michigan Public Educational Facilities Authority (MPEFA) Conduit Financing & Credit Enhancement Program

**Website:** [www.michigan.gov/mpefa](http://www.michigan.gov/mpefa)

**Statutory Reference:** <http://bit.ly/b1NP01>

*ED Credit Enhancement Award Total: \$6.5 million—Fiscal Year 2007*

Created in 2002, the Michigan Public Educational Facilities Authority provides tax-exempt financing and technical assistance for qualified public educational facilities and public school academies. MPEFA offers a Long-Term Facilities Financing Program for PSAs. Funds from the program may be used to finance land, facilities, equipment and energy conservation improvements or to refinance existing debt. In 2003 and 2004, two PSAs obtained bond financing totaling \$6.4 million through the program. In 2005, MPEFA issued \$21.8 million in bonds on behalf of three PSAs, and in 2006, MPEFA issued another \$15.1 million for three PSAs. Effective January 1, 2007, MPEFA adopted a new fee schedule for its Long-Term Facilities Financing Program whereby it no longer charges application or issuance fees (fees are instead paid from reserve fund interest earnings) and it reduced ongoing annual fees from 0.125% to 0.05% of the financing's outstanding balance. Also in 2007, MPEFA received a \$6.5 million ED credit enhancement grant to fund debt service reserves for bond issuances, thereby lowering borrowing

costs for participating charter schools. Since 2007, MPEFA has issued \$97.1 million in bond financing for 11 PSAs:

- \$48.4 million for five PSAs in 2007
- \$15.6 million for three PSAs in 2008
- \$10.7 million for one PSA in 2009
- \$22.4 million for two PSAs in 2010

### Q-Bond Programs

Michigan PSAs are eligible to participate in the state's Q-Bond Programs. Several PSAs have accessed financing through the state's QZAB Program to date.

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## Minnesota

*State Charter School Facilities Incentive Grant Award Total: \$14.2 million—Fiscal Years 2004 through 2008*

### Per Pupil Building Lease Aid Program

**Statutory Reference:** <http://bit.ly/aKFFTK> (Section 124D.11 Revenue for a Charter School => Subdivision 4)

A charter school that leases its facility can apply to the Minnesota Department of Education (MDE) for lease aid on an annual basis. This program evaluates charter schools based on: the reasonableness of the price of the lease based on current market values; the extent to which the lease conforms to applicable state laws; and the appropriateness of the lease in the context of the school's needs and finances. For schools approved for opening in 2003 and subsequent years, the program offers aid totaling 90% of the actual cost of leasing at a maximum of \$1,200 per pupil. Schools with earlier established leases and bond payment schedules may receive up to \$1,500 per pupil. The minimum 10% balance that charter schools pay is designed to ensure that schools lease appropriate and reasonable facilities. These funds may not be used for custodial, maintenance service, utility or other operating costs. Program appropriations over the past six years totaled \$161.6 million; the program has received a preliminary appropriation of \$42.4 million for Fiscal Year 2010.

- \$17.8 million in Fiscal Year 2004
- \$21.0 million in Fiscal Year 2005
- \$24.6 million in Fiscal Year 2006
- \$28.2 million in Fiscal Year 2007
- \$32.6 million in Fiscal Year 2008
- \$37.4 million in Fiscal Year 2009

### Municipal Conduit Financing

**Statutory Reference:** <http://bit.ly/dyNJZc> (Sections 469.109 to 469.123)

In Minnesota, there is no statewide conduit issuer of tax-exempt bond financing that charter schools can access for their facility needs. Charter schools have access, however, at the county and city levels through conduit issuers, such as the Housing and Redevelopment Authority of St. Paul.

### Q-Bond Programs

Charter schools are eligible to participate in Minnesota's Q-Bond Programs; however, no charter schools have accessed financing through either program to date.

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## Mississippi

### Charter School Legislation

**Statutory Reference:** <http://bit.ly/9qSCPq> (House Bill 36)

Mississippi's charter school law expired in July 2009. In March 2010, the state Legislature passed a bill renewing legislation; however, it has not yet been signed into law. As in the previous legislation, the bill limits the establishment of charter schools to those converted from existing public schools. Currently, there is one operating charter school in Mississippi.

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## Missouri

### School District Indebtedness Provision

**Statutory Reference:** <http://bit.ly/cxjrVz> (Section 160.415(11))

A school district may incur bonded indebtedness or take other measures to provide for physical facilities and other capital items for charter schools it sponsors or with which it contracts.

### Missouri Health & Educational Facilities Authority (MOHEFA) Conduit Financing

**Website:** <http://www.mohefa.org>

**Statutory Reference:** <http://bit.ly/cHxIPA>

The Missouri Health & Educational Facilities Authority was created by the state General Assembly as a conduit issuer for public and private nonprofit health and educational institutions. MOHEFA has issued bonds for two charter schools: a \$6.1 million 2002 bond issue for the St. Louis Charter School and a \$2.6 million 2003 bond issue for Academie Lafayette in Kansas City.

### Industrial Development Authority Conduit Financing

**Statutory Reference:** <http://bit.ly/axG8P6> (Sections 100.010 to 100.200)

Charter schools may apply for bond financing through various county and city industrial development authorities in Missouri, such as the St. Louis Industrial Development Authority, which issued \$23.7 million in debt on behalf of Confluence Academy in 2007.

### Q-Bond Programs

Charter schools are eligible for financing through Missouri's Q-Bond Programs. To date, one charter school has utilized \$1.5 million of QZAB allocation to help finance its facilities.

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## Nevada

### Q-Bond Programs

Charter schools in Nevada are permitted to apply for QZAB and QSCB financing through their local school district. No charter schools have received such financing to date.

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## New Hampshire

### New Hampshire Health and Education Facilities Authority (NHHEFA) Conduit Financing

**Website:** <http://www.nhhefa.com>

**Statutory Reference:** <http://bit.ly/bYr9hN>

Charter schools in New Hampshire are eligible to access tax-exempt financing through the New Hampshire Health and Education Facilities Authority. NHHEFA provides several facilities financing options, including privately placed bonds, public bond offerings and a capital loan program through which it provides a participation loan or guarantees part of a bank loan for the purchase of capital equipment or the refinancing of existing debt. Loans through the capital loan program range from \$50,000 to \$600,000 and have five-year terms and interest rates equal to half of the participating bank's loan. Although eligible, charter schools have not received financing through NHHEFA to date.

### New Hampshire Municipal Bond Bank (NHMBB) Conduit Financing

**Website:** <http://www.nhmbb.org>

**Statutory Reference:** <http://bit.ly/cXTC3b>

The New Hampshire Municipal Bond Bank, which was created in 1977 by the New Hampshire Legislature, is an instrumentality of the state that issues bonds to provide loans to counties, cities, towns, school districts or other districts within the state. In 1982, the Legislature enacted the New Hampshire Municipal Bond Bank Educational Institutions Bond Financing Act, which established the Educational Institutions Division within NHMBB to finance the construction and improvement of certain educational facilities, including those for charter schools. Although eligible, charter schools have not received such financing to date.

### Q-Bond Programs

Charter schools are eligible to participate in New Hampshire's Q-Bond Programs, which are administered by the Office of School Building Aid of the New Hampshire Department of Education's Division of Program Support. However, no charter schools have accessed financing through either program to date.

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## New Jersey

### New Jersey Economic Development Authority (NJEDA) Conduit Financing

**Website:** <http://www.njeda.com>

**Statutory Reference:** <http://bit.ly/bcwB2Y> (Sections 34:1B-1 to 34:1B-21.36)

The New Jersey Economic Development Authority is an independent, self-supporting state entity with a mission of stimulating business development, creating jobs and revitalizing communities throughout the state. The NJEDA is available as a conduit tax-exempt bond issuer for charter schools under its program for nonprofit organizations. Charter schools may also benefit from the NJEDA's guaranty and subordinate loan programs, as well as small recoverable planning grants for early stage projects. To date, the NJEDA has provided financial assistance to charter schools through a combination of tax-exempt bond issuance and the NJEDA's guaranty and subordinate loan programs.

### Q-Bond Programs

Charter schools are eligible to participate in New Jersey's Q-Bond Programs. To date, no charter schools have applied for QZAB allocation. Two charter schools have received allocations totaling \$27.5 million from the QSCB Program, which is administered by the NJEDA. One of the schools, Uncommon Schools' North Star Academy, closed on project financing in late 2009 utilizing \$16.5 million in QSCBs.

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## New Mexico

### Public School Capital Outlay Fund

**Statutory Reference:** <http://bit.ly/aimxD8> (2009 NMSA 1978 => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 22 Public Schools => Article 24 Public School Capital Outlay) and (2009 NMSA 1978 => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 22 Public Schools => Article 8B Charter Schools => Section 22-8B-4(H))

The Public School Capital Outlay Act was passed in 1978 to address critical school district capital outlay needs. The Public School Capital Outlay Council (PSCOC), through the Public School Facilities Authority, manages the allocation of state funding to public school facilities as part of the Public School Capital Outlay Fund. Grants from the fund are determined by formula and may be used only for capital expenditures deemed necessary by the PSCOC for an adequate educational program. Charter schools can access public school capital outlay funds in the same manner as other public schools in New Mexico. Through the fund, the PSCOC provides grants to schools using a standards-based process as well as grants for specific program initiatives, such as the lease payment assistance program. To date, four charter schools have received standards-based grants totaling \$3.1 million, including three in Fiscal Year 2009 and one in Fiscal Year 2010. In Fiscal Year 2010, the PSCOC provided \$172.3 million in funding for facilities projects throughout New Mexico. Charter schools received a portion of this funding through the fund's lease payment assistance program described below.



## Lease Payment Assistance Program

**Website:** <http://www.nmschoolbuildings.org> (Lease Payment Assistance)

**Statutory Reference:** <http://bit.ly/aimxD8> (2009 NMSA 1978 => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 22 Public Schools => Article 24 Public School Capital Outlay => Section 22-24-4(l))

The PSCOC, through the Public School Capital Outlay Fund, is authorized to provide grants to school districts to cover lease payments for classroom facilities, including facilities leased by charter schools. This grant program was created by the state Legislature in 2004. The per pupil amount has increased steadily each year from \$300 in Fiscal Year 2005 to \$725 in Fiscal Year 2010. In subsequent years, the per pupil amount will be adjusted according to the percentage increase of the consumer price index for the United States between the penultimate calendar year and the immediately preceding calendar year. Grant awards may not exceed the annual lease payments of schools. School districts apply to the PSCOC for funding and may apply on behalf of a charter school. If a school district fails to make an application on behalf of a charter school, the charter school may submit its own application. To date, the PSCOC has awarded \$33.1 million through the lease assistance program of which approximately \$32 million was granted to charter schools.

## New Mexico Public Education Department's Capital Outlay Bureau

**Website:** <http://www.ped.state.nm.us/div/fin/capital/index.html>

The Capital Outlay Bureau at the New Mexico Public Education Department administers the following three programs that offer facilities financing resources to charter schools in New Mexico, in addition to the state's Q-Bond Programs.

### Direct Legislative Appropriations

**Website:** <http://www.ped.state.nm.us/div/fin/capital/reports.html>

**Statutory Reference:** <http://bit.ly/aimxD8> (2009 NMSA 1978 => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 7 Taxation => Article 27 Severance Tax Bonding Act)

Specific projects within a school district may receive capital outlay funding through direct legislative appropriations. Charter schools may request an appropriation directly from their state legislators. These allocations are funded by the general fund or from the proceeds of the sale of severance bonds and have declined significantly in the past few years from a high of \$56.1 million in 2007 to a low of \$1.8 million in 2009. In 2010, the state Legislature did not make new appropriations, but reauthorized two awards, one of which totaled \$100,000 for one charter school.

By June 1 of each year, a school district must determine whether to accept or reject any legislative appropriations made directly to the school district or to charter schools within the school district. A school district's share of public capital outlay funds will be offset by a percentage of the total legislative appropriations accepted by a school district.

Between 2006 and 2008, direct legislative appropriations for seven charter schools have been rejected; however, one of those rejected in 2007 was reauthorized as a new project and uncontested in 2008.

## Public School Capital Improvements Act (SB 9)

**Statutory Reference:** <http://bit.ly/aimxD8> (2009 NMSA 1978 => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 22 Public Schools => Article 25 Public School Capital Improvements)

The Public School Capital Improvements Act is a funding mechanism that allows school districts to ask local voters to approve a property levy of up to two mills for a maximum of six years. Historically, school districts were not mandated to provide charter schools with an equitable share of SB 9 funds and a charter school had to negotiate with a district to receive its share. Effective July 1, 2009, school districts are required to include charter school capital improvements in the resolution submitted to electors provided that a charter school submits the necessary information on its capital improvements to the school district in a timely manner. Funds generated through this program can be used to: erect, remodel, make additions to, provide equipment for or furnish public school buildings; purchase or improve school grounds; maintain public school buildings or public school grounds; purchase activity vehicles for transporting students to extracurricular activities; and purchase computer software and hardware for student use in public school classrooms.

SB 9 contains provisions that provide a school district with a minimum level of funding or program guaranty, which is approximately \$75 per mill for Fiscal Year 2010. If the local revenue generated by SB 9 is less than the program guaranty, the state provides matching funds, which are subject to certain restrictions, to make up the difference. For Fiscal Year 2010, the minimum state matching requirement is \$5.80 per mill and every charter school in a district receiving SB 9 funding will receive state matching funds. From Fiscal Year 2007 to Fiscal Year 2009, school districts raised \$271 million and state matching funds totaled \$55 million.

- In Fiscal Year 2007, 85 school districts raised \$83 million, and state matching funds totaling \$18 million were provided to 53 of those districts.
- In Fiscal Year 2008, 84 school districts raised \$91 million, and state matching funds totaling \$19 million were provided to 51 of those districts.
- In Fiscal Year 2009, 86 school districts raised \$97 million, and state matching funds totaling \$18 million were provided to 52 of those districts.

### ***Public School Buildings Act (HB 33)***

**Statutory Reference:** <http://bit.ly/aimxD8> (2009 NMSA 1978 => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 22 Public Schools => Article 26 Public School Buildings)

The Public School Buildings Act allows school districts to impose a tax not to exceed ten mills for a maximum of six years on the net taxable value of property upon approval of qualified voters. These funds may be used to erect, remodel, make additions to, provide equipment for or refurbish public school buildings, or to purchase or improve public school grounds. School districts were not mandated to provide charter schools with an equitable share of HB 33 funds until July 1, 2007. The law was amended to require that school districts include charter school capital improvements in the resolution submitted to electors provided that a charter school submits the necessary information on its capital improvements to the school district in a timely manner. A charter school's capital improvements must also be included in the district's five-year plan, or in its own five-year plan in the case of state-chartered schools, to be eligible for inclusion in the resolution. In Fiscal Year 2010, Albuquerque Public Schools included several charter schools in its HB 33 request, all of which will receive funding.

### **New Mexico Finance Authority (NMFA) Conduit Financing**

**Website:** [http://www.nmfa.net/NMFAInternet/NMFA\\_Web.aspx?ContentID=141](http://www.nmfa.net/NMFAInternet/NMFA_Web.aspx?ContentID=141)

**Statutory Reference:** <http://bit.ly/aimxD8> (2009 NMSA 1978 => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 6 Public Finances => Article 21 Finance Authority)

Charter schools in New Mexico are eligible to access tax-exempt financing through the New Mexico Finance Authority's Public Project Revolving Loan Fund (PPRF), which finances public projects. NMFA's authorizing statute was amended in 2009 to include charter schools as eligible borrowers. NMFA has not yet closed a charter school financing as it currently is establishing policies and procedures for such financings.

### **County Conduit Financing**

**Statutory Reference:** <http://bit.ly/aimxD8> (2009 NMSA 1978 => Statutory Chapters in New Mexico Statutes Annotated 1978 => Chapter 4 Counties => Article 59 County Industrial Revenue Bonds)

In New Mexico, counties can issue tax-exempt debt on behalf of non-profit corporations, including charter schools.

### **Q-Bond Programs**

In New Mexico, charter schools may receive QSCB and QZAB allocations through a school district's application. To date, only two school districts have applied for QZAB financing, neither of which applied on behalf of a charter school.

## **New York**

### **Charter Schools Stimulus Fund**

**Website:** <http://www.emsc.nysed.gov/funding/2010charter/home.html>  
<http://www.newyorkcharters.org/schoolsGrantOpps.htm>

**Statutory Reference:** <http://bit.ly/b9e0bh> (Consolidated Laws => STF – State Finance => Article 6 Funds of the State => 97-SSS Charter Schools Stimulus Fund)

The Charter Schools Stimulus Fund was established in 1998 as part of the state's charter statute to provide discretionary financial support to charter schools for start-up costs and for costs associated with the acquisition, renovation and construction of school facilities. From the 2002-2003 school year through the 2007-2008 school year, \$3.9 million was appropriated annually for these purposes. Additional appropriations of \$3.7 million and \$3.5 million were made for the 2008-2009 and 2009-2010 school years, respectively. Funds are allocated by formula to the State University of New York (SUNY) and the New York State Board of Regents (Regents) and then awarded to charter schools through a competitive process. The New York State Education Department administers the Regents portion of the program. SUNY distributes its share of funds to charter schools it authorizes as well as to those authorized by the Chancellor of the New York City Department of Education and the Buffalo City Board of Education. Grants awarded by the Regents are capped at \$100,000, and those awarded by SUNY are capped at \$235,000. To date, SUNY has awarded 70 grants, and the Regents have awarded 29.

### **New York City Charter Facilities Matching Grant Program**

**Website:** [http://source.nycsca.org/pdf/rfq\\_charter\\_facilities\\_matching\\_program.pdf](http://source.nycsca.org/pdf/rfq_charter_facilities_matching_program.pdf)

In the Fiscal Year 2005-2009 capital outlay budget for New York City's Department of Education, Mayor Bloomberg included \$250 million to create the Charter Facilities Matching Grant Program. The Fiscal Year 2010-2014 capital plan includes another \$210 million for this program. Through this matching-grant program, the city contributes a portion of the costs for charter school facilities development, with the charter school contributing a portion through philanthropic or equity sources. The facilities are owned by the New York City School Construction Authority and leased to charter schools for a term dependent upon the charter school's financial contribution. Charter schools providing a match of at least a third of the project cost receive a 99-year lease term and priority through the program. Charter schools may provide a smaller contribution, but they do not receive program priority and lease terms are reduced accordingly.

To date, seven projects have received financing through the program, serving the following nine charter schools: Achievement First Crown Heights High School, Achievement First Endeavor Charter School, Bronx Lighthouse Charter School, Carl C. Icahn Charter School, Carl C. Icahn Charter School Bronx North, Excellence Boys Charter School of Bedford-Stuyvesant, KIPP Academy Elementary, KIPP NYC College Prep High School and Uncommon Charter High School.

## Conduit Financing

### Statutory Reference:

**Industrial Development Agencies:** <http://bit.ly/b9e0bh> (Consolidated Laws => GMU – General Municipal => Article 18-A Industrial Development => Title 1 Agencies, Organization and Powers)

**Local Development Corporations:** <http://bit.ly/b9e0bh> (Consolidated Laws => NPC – Not-For-Profit Corporation => Article 14 Special Not-For-Profit Corporations => Section 1411 Local Development Corporations)

Prior to January 2008 when the authorization expired, charter schools in New York State were able to access tax-exempt bond financing through various local industrial development agencies. Alternatively, as nonprofit organizations, charter schools are eligible to apply for tax-exempt financing through various municipal economic development corporations.

## Q-Bond Programs

Charter schools are eligible to participate in New York's Q-Bond Programs; however, no charter schools have accessed financing through either program to date.

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## North Carolina

### North Carolina Capital Facilities Finance Agency (NCCFFA) Conduit Financing

**Website:** <http://www.treasurer.state.nc.us/dsthome/StateAndLocalGov>

**Statutory Reference:** <http://bit.ly/cCkfWe>

Charter schools in North Carolina are eligible for tax-exempt bond financing through the North Carolina Capital Facilities Finance Agency. NCCFFA's business is conducted by the Capital Facilities Finance Section of the Department of the State Treasurer's State and Local Government Finance Division. To date, NCCFFA has completed nine charter school bond offerings totaling approximately \$66 million.

## Q-Bond Programs

Charter schools are not eligible to participate in North Carolina's QSCB or QZAB programs.

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## Ohio

### Charter School Revolving Loan Program

**Statutory Reference:** <http://bit.ly/cVoLSQ> (Section 3314.30 Community School Revolving Loan Fund)

This loan program was established in 2003 with passage of Substitute House Bill 364; however, it has not been implemented. It was intended to assist start-up charter schools, known as community schools in Ohio, and to serve as a vehicle for federal funds allocated to Ohio for the development and operation of charter schools. Loans were to be for terms of up to five years and to be repaid with automatic deductions from state revenues. While schools were allowed to receive multiple loans, each school was cumulatively capped at \$250,000. Priority was meant to be given to new schools to pay for start-up costs.

## Community Schools Classroom Facilities Guaranteed Loan Program

**Statutory Reference:** <http://bit.ly/cBfrQX> (Section 3318.52 Community School Classroom Facilities Loan Guarantee Fund and Section 3318.50 Community School Classroom Facilities Loan Guarantee Program)

The Community Schools Classroom Facilities Guaranteed Loan program, established in 2001 and administered by the Ohio School Facilities Commission (OSFC), assisted charter schools in acquiring, improving or replacing classroom facilities by lease, purchase, remodeling or new construction. Through the program, charter schools could apply for a state guaranty with a maximum term of 15 years that covered up to 85% of the sum of the principal and interest for facilities loans. The program received a \$10 million appropriation, and guarantees were capped at \$1 million for the purchase or renovation of an owned facility and \$500,000 for leasehold improvements. The OSFC completed three rounds of funding and provided 15 guarantees that leveraged \$8.5 million in facilities assistance for charter schools. The OSFC is currently monitoring four outstanding guarantees; however, it has fully obligated its capital for this program and is no longer accepting applications.

## Q-Bond Programs

Charter schools are not eligible to directly participate in Ohio's Q-Bond Programs; however, a local government may issue QSCBs and QZABs on behalf of a charter school. To date, no charter schools have accessed such financing.

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## Oklahoma

### Charter Schools Incentive Fund

**Statutory Reference:** <http://bit.ly/bkSNFV> (Oklahoma Statutes & Constitution => Oklahoma Statutes – Titles 1-85 => Title 70 Schools => Section 70-3-144)

In 1999, the Oklahoma Legislature created the Charter Schools Incentive Fund in the state Treasury to provide financial support to charter school applicants and charter schools for start-up costs and costs associated with renovating or remodeling existing facilities. Charter schools may apply for one-time grants of up to \$50,000. The fund was established as a continuing fund that is not subject to fiscal year limitations and consists of all monies appropriated by the Legislature and gifts, grants and donations from any public or private source. The fund is administered by the Oklahoma Department of Education and was initially funded with a \$1 million appropriation. Since Fiscal Year 2005, the fund has received additional appropriations totaling \$500,000. However, one-third of the total \$1.5 million appropriated has been subsequently diverted to educational purposes unrelated to charter schools.

**Oklahoma Development Finance Authority (ODFA) Conduit Financing**  
**Website:** <http://www.okcommerce.gov/Commerce/About/rc/Development-Bonds>

**Statutory Reference:** <http://bit.ly/bkSNFV> (Oklahoma Statutes & Constitution => Oklahoma Statutes – Titles 1-85 => Title 74 State Government => Sections 74-5062.1 to 74-5062.22)

Oklahoma charter schools are eligible to access tax-exempt bond financing through the Oklahoma Development Finance Authority, which was created by the state Legislature in 1987. ODFA is a statewide trust authority that provides qualified entities with an avenue to issue tax-exempt or taxable revenue bonds. ODFA also administers the Oklahoma Credit Enhancement Reserve Fund, which provides guarantees for small companies, manufacturing facilities and communities in need of funds for expansion projects and infrastructure loans. To date, no charter schools have accessed ODFA's financing programs for their facilities.

**Q-Bond Programs**

Charter schools in Oklahoma are not eligible to receive financing through the state's QSCB or QZAB programs.

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**Oregon**

**Oregon Facilities Authority (OFA) Conduit Financing**

**Website:** <http://www.ost.state.or.us/Divisions/DMD/OFA>

**Statutory Reference:** <http://bit.ly/cffdf>

The Oregon Facilities Authority is a public entity created by the Oregon Legislature in 1989 to assist with the assembling and financing of facilities for organizations involved in health care, low-income housing, cultural programs and education, including public and nonprofit schools. No charter schools have issued bonds through OFA to date.

**Q-Bond Programs**

In Oregon, individual public schools cannot incur debt as entities separate from the school district of which they are a part. Charter schools in Oregon cannot access QZAB or QSCB financing directly; however, a sponsoring school district can access such financing on a charter school's behalf. No charter schools have accessed financing through either program to date.

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**Pennsylvania**

**Charter School Lease Reimbursement Program**

**Website:** [http://www.education.state.pa.us/portal/server.pt/community/charter\\_school\\_facility\\_leases/14834](http://www.education.state.pa.us/portal/server.pt/community/charter_school_facility_leases/14834)

**Statutory Reference:** <http://bit.ly/caoMjQ> (Section 31)

In 2001, the Pennsylvania Public School Code was amended to include this program, which provides charter schools that lease buildings or portions of buildings for educational use with an annual lease reimbursement. Lease rental costs for land, trailers or modulars are not

eligible for reimbursement. A charter school receives the lesser of its annual lease payment or \$160 per pupil for elementary schools, \$220 per pupil for secondary schools and \$270 per pupil for area vocational-technical schools.

**State Public School Building Authority (SPSBA) Conduit Financing**

**Website:** <http://www.spsba.org/spsbamain.htm>

**Statutory Reference:** State Public School Building Authority Act of 1947 (24 P.S. Section 791.1 et seq.)

Pennsylvania's State Public School Building Authority finances the construction and improvement of public school facilities through the issuance of bonds. Charter schools may apply for tax-exempt financing through SPSBA; however, no schools have applied to date.

**Industrial Development Authority Conduit Financing**

Charter schools may apply for bond financing through local industrial development authorities, such as the Philadelphia Authority for Industrial Development.

**Q-Bond Programs**

Charter schools are not eligible to participate directly in Pennsylvania's QSCB or QZAB programs.

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**Rhode Island**

**Facilities Cost Reimbursement**

**Statutory Reference:** <http://bit.ly/cs962T>

The General Assembly enacted legislation in 1999 allowing district-sponsored charter schools to obtain access to state aid for reimbursement of "school housing" (facilities) costs through their public school district or districts. The program is designed to ensure adequate facilities for all public school children in the state and prevent the cost of facilities from interfering with effective school operation. Charter schools that are not sponsored by a district may apply for 30% reimbursement of facilities costs on the basis of demonstrated need.

**Rhode Island Health and Educational Building Corporation (RIHEBC) Conduit Financing**

**Website:** <http://www.rihebc.com>

**Statutory Reference:** <http://bit.ly/cXhSAS>

Charter schools in Rhode Island are eligible for tax-exempt bond financing through the Rhode Island Health and Educational Building Corporation, the state's designated conduit issuer for nonprofit educational and healthcare institutions. Since its first charter school bond offering in 2002, RIHEBC has completed six additional offerings totaling \$37.9 million for charter school facilities.

### Q-Bond Programs

Charter schools are eligible to participate in Rhode Island's Q-Bond Programs; however, no charter schools have applied to either program to date.

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## South Carolina

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### South Carolina Jobs-Economic Development Authority (JEDA) Conduit Financing

**Website:** <http://www.scjeda.net>

**Statutory Reference:** <http://bit.ly/aojNsh>

Charter schools are eligible for tax-exempt financing through the South Carolina Jobs-Economic Development Authority, a state agency that can issue tax-exempt bonds for nonprofit organizations. In July 2008, JEDA issued \$8.4 million in financing on behalf of Brashier Middle College Charter High School in Greenville. Most recently, in October 2009, JEDA closed on a \$2.7 million financing for East Cooper Montessori Charter School for the construction of a new facility in Mt. Pleasant.

### Q-Bond Programs

Charter schools are eligible to receive financing through South Carolina's Q-Bond Programs via their school district; however, no charter schools have applied for financing through either program to date.

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## Tennessee

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### Per Pupil Facilities Allocation

**Statutory Reference:** <http://bit.ly/9SQZDN> (Tennessee Code => Title 49 Education => Chapter 13 Tennessee Public Charter Schools Act of 2002 => 49-13-112 Funding => Section 112(c))

State law requires the Tennessee Department of Education (TDOE) to calculate the amount of state funding required under the basic education program (BEP) for capital outlay as a non-classroom component to be received in a fiscal year for each LEA in which charter schools operate. For each LEA, TDOE reserves the portion of the BEP due to charter schools and distributes directly to each charter school its share of these funds on a per pupil basis based on prior year enrollment. First-year charter schools receive funding based on the anticipated enrollment specified in their charter agreement. Matching funds are provided by LEAs at varying amounts. The annual state component of the per pupil facilities funding totals approximately \$100 per student. Charter schools may use this facilities aid for rent, construction, renovation of an existing school facility, leasehold improvements, or debt service on a school facility or purchase of a building or land. Funds may be used for the purchase of land only if the charter school has immediate plans to construct a building on the land.

### Tennessee Local Development Authority (TLDA) Conduit Financing **Website:** <http://www.comptroller.state.tn.us/bf/bftlda.htm>

**Statutory Reference:** <http://bit.ly/9SQZDN> (Tennessee Code => Title 4 State Government => Chapter 31 Local Development Authority => Part 1 General Provisions)

Charter schools in Tennessee that have the support of their local taxing authority are eligible to access tax-exempt financing through the Tennessee Local Development Authority. Created in 1978, TLDA is responsible for issuing bonds and notes to make loans for a wide range of public improvement projects. No charter schools have accessed financing through TLDA to date.

### Q-Bond Programs

A charter school that has the support of its LEA is eligible to participate in Tennessee's Q-Bond Programs; however, no charter schools have accessed financing through either program to date.

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## Texas

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### Open-Enrollment Charter School Facilities Credit Enhancement Program

**Website:** <http://www.tea.state.tx.us/index4.aspx?id=6675>

**Statutory Reference:** <http://bit.ly/cf5Boc>

In June 2009, the 81st Texas Legislature passed and the Governor signed into law House Bill 3646, an act relating to public school finance and programs. The act amended numerous provisions of the Education Code and created two new credit enhancement programs. These programs are intended to assist school districts and charter schools by providing credit enhancement for debt issued by these entities for their instructional facilities. Rulemaking authority for both programs lies with the Commissioner of Education.

The statute authorizes the Commissioner of Education to establish a credit enhancement program to assist open-enrollment charter schools in obtaining financing for the purchase, repair or renovation of real property, including improvements to real property, for their facilities. The program requires a one-to-one match in private funds for at least the first ten years of the term of the financing which is being guaranteed, with the state portion funded by an allocation of no more than 1% of the amount appropriated for the Foundation School Program (FSP), the primary program through which the state distributes funds to local school districts. The Commissioner may limit program participation to charter schools that meet certain financial, academic and administrative requirements and may require schools to fund a debt service reserve to additionally secure the borrowing.

**Texas Public Finance Authority (TPFA)  
Charter School Finance Corporation (CSFC)  
Conduit Financing & Credit Enhancement Program  
Website: <http://www.tpfa.state.tx.us>**

**Statutory Reference:** <http://bit.ly/8ZNh2y>

*ED Credit Enhancement Award Total: \$10 million—Fiscal Years 2005 and 2006*

The Texas Public Finance Authority is a state agency that was created in 1984 to provide capital financing for certain state agencies and institutions of higher education. Pursuant to Section 53.351 of the Texas Education Code, in 2003, TPFA established a nonprofit corporation, the Charter School Finance Corporation, to issue revenue bonds on behalf of authorized open-enrollment charter schools for the acquisition, construction, repair or renovation of educational facilities. TPFA provides administrative and staff support for the CSFC. CSFC has issued \$133 million in charter school facilities debt to date, including \$9 million for the School of Excellence in Education in 2004; \$35 million for KIPP, Inc. and \$9 million for the Burnham Wood Charter School in 2006; and \$30 million for the Cosmos Foundation, \$40 million for IDEA Public Schools and \$10 million for Uplift Education in 2007.

In addition, the CSFC has entered into a consortium agreement with the Texas Education Agency (TEA) and the Resource Center for Charter Schools to operate the Texas Credit Enhancement Program (TCEP). Utilizing a \$10 million ED grant and a \$100,000 contribution from TEA, TCEP provides credit enhancement for municipal bonds that provide financing for the acquisition, construction, repair or renovation of Texas charter school facilities, including certain refinancing of facilities debt, by funding a debt service reserve fund for such issuances. The debt service reserve funds are held in the state Treasury solely to provide security for repayment of the bonds. A total of \$13 million in credit enhancement has been awarded in four rounds to date:

- \$8.8 million for bond issuance totaling \$144 million for 14 charter schools in March 2007
- \$2 million for bond issuance totaling \$66 million for two charter schools in January 2008
- \$1.8 million for bond issuance totaling \$57 million for two charter schools in January 2009
- \$600,000 for one charter school bond issuance in February 2010

A fifth round of credit enhancement grant applications may be issued in the fall of 2010. To be eligible, schools need an academic rating of acceptable or higher for two consecutive years and must be determined to be fiscally sound by a satisfactory rating under the Financial Integrity Rating System of Texas, as adapted for charter schools.

**Higher Education Finance Corporation Conduit Financing**

**Statutory Reference:** <http://bit.ly/90sbvf>

Under the Higher Education Facility Authority for Public Schools Act, charter schools in Texas have access to tax-exempt bond financing through higher education conduit issuers, such as La Vernia Higher Education Finance Corporation, throughout the state.

**Q-Bond Programs**

Charter schools in Texas may access financing through the state's Q-Bond Programs. In April 2010, YES Prep Public Schools closed on a financing that included \$16 million in QZABs and \$5.5 million in QSCBs.

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**Utah**

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*State Charter School Facilities Incentive Grant Award Total: \$8.9 million—Fiscal Years 2004 through 2008*

**Per Pupil Facilities Allocation**

**Statutory Reference:** <http://bit.ly/agk83G> (Sections 53A-1a-513(4)(d) and (e))

In 2003, Utah created the Local Revenue Replacement Program, which provides an additional annual per pupil appropriation for charter schools to replace some of the local property tax revenue that traditionally covers maintenance and operation, capital projects and debt service. Funding may be used for: the purchase, construction, renovation or lease of a facility; leasehold improvements; debt service; or land acquisition. Utah law requires that 10% of the grant monies provided by the annual appropriation be expended for facilities, and the state utilized \$8.9 million in funding from ED's State Charter School Facilities Incentive Grants Program to augment the program. In 2008, the state Legislature established a minimum funding threshold of \$1,427 per student, translating into a minimum facilities allowance of \$143 per student for 2009 and subsequent years. This revenue stream has resulted in the following per pupil facilities allowance:

- \$101 in Fiscal Year 2005
- \$105 in Fiscal Year 2006
- \$114 in Fiscal Year 2007
- \$105 in Fiscal Year 2008
- \$143 in Fiscal Year 2009
- \$144 in Fiscal Year 2010
- \$160 in Fiscal Year 2011

**Local Discretionary Block Grant Program**

**Statutory Reference:** <http://bit.ly/api5hw>

Charter schools receive funding through the Local Discretionary Block Grant Program for maintenance and operation costs, capital outlay and debt service. These grant funds are distributed by the State Board of Education to school districts and charter schools by formula with 8% of the appropriation divided equally among all school districts, with charter schools collectively considered one district. The charter school portion is divided equally among all charter schools, except those which were once district schools. The remaining 92% is divided among school districts and charter schools based primarily upon their total weighted pupil units. In 2009, the state Legislature eliminated funding for the program. Prior to elimination, appropriations totaled \$21.8 million.

### Charter School Building Revolving Loan Fund

**Statutory Reference:** <http://bit.ly/asb7eL> (Section 53A-21-401(5) to (9))

With an appropriation of \$2 million, Utah established the Charter School Building Revolving Loan Fund in 2003 to provide loans for the construction, renovation and purchase of facilities. Charter schools operating in facilities owned by a school district or other governmental entity are not eligible unless they pay reasonable rent for their facility. The maximum loan amount is \$300,000, and loans may not exceed 75% of total project costs. Interest on loans is comparable to the state's five-year, AAA-rated general obligation bond rate. Loans must be repaid within five years, beginning one year from the loan approval date. Priority is given to schools in their first year of operation for start-up facilities and renovation costs and to projects that are necessary to address student health and safety issues. To date, the program has provided \$5.2 million in loans for 38 charter school projects serving 30 charter schools.

### State Charter School Finance Authority Conduit Financing

**Statutory Reference:** <http://bit.ly/dyRzVp>

In March 2007, Utah established the State Charter School Finance Authority, a conduit issuer created specifically to provide financing for charter school facilities. To date, the authority has issued \$105 million in financing for 12 charter schools.

### Municipal Conduit Financing

**Statutory Reference:** <http://bit.ly/9NnMm6>

Under the Utah Industrial Facilities and Development Act, charter schools in Utah have access to tax-exempt bond financing through issuers at the county and municipal levels.

### Q-Bond Programs

Charter schools are eligible to participate in Utah's Q-Bond Programs. To date, one charter school has received a QSCB allocation totaling \$9 million; however, it has not yet closed on its financing.

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## Virginia

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### Virginia Small Business Financing Authority (VSBFA) Conduit Financing

**Website:** [http://www.dba.virginia.gov/financing\\_business.shtml](http://www.dba.virginia.gov/financing_business.shtml)

**Statutory Reference:** <http://bit.ly/9gvhFB> (Sections 2.2-2279 to 2.2-2314)

The Virginia Small Business Financing Authority may act as a conduit issuer for nonprofit organizations, including charter schools or related organizations.

### Q-Bond Programs

Charter schools are eligible for financing through Virginia's QZAB Program; however, no QZABs have been issued for charter schools to date. Charter schools were not eligible to participate in the state's QSCB Program in 2009.

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## Washington, D.C.

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*State Charter School Facilities Incentive Grant Award Total: \$5.6 million—Fiscal Years 2004 through 2008*

### Facilities Allowance for Public Charter Schools

**Statutory Reference:** <http://bit.ly/bU88a1> (Title 38 Educational Institutions => Subtitle X School Funding => Chapter 29 Uniform Per Student Funding Formula => Subchapter I General => Section 38-2908)

In 1998, the D.C. Council passed the Uniform Per Student Funding Formula for Public Schools and Public Charter Schools Act, providing charter schools in the District with an annual per pupil allocation as well as an annual facilities allowance. Historically, the Charter Schools Facilities Allowance was calculated as a rolling average of District of Columbia Public Schools (DCPS) per pupil facilities expenditures over the previous five years. In Fiscal Year 2009, the Charter Schools Facilities Allowance was decoupled from DCPS per pupil expenditures, and the allowance was set at \$3,109 per pupil. The allowance was decreased to \$2,800 for Fiscal Year 2010.

### State Charter School Facilities Incentive Grants Program

**Website:** <http://www.ed.gov/programs/statecharter/awards.html>

The District of Columbia is one of four jurisdictions selected as part of the first cohort of grantees to receive funding from ED's State Charter School Facilities Incentive Grants Program, receiving \$5.6 million between Fiscal Year 2004 and Fiscal Year 2008. The competitive grant program is administered by the Office of Public Charter School Financing and Support within the Office of the State Superintendent of Education. The program is structured to provide funding under two components:

- General Facilities Allowance (Component 1)—provides a per pupil facilities allowance to eligible charter schools based on estimated or actual student enrollment for Fiscal Year 2010. To be eligible, a charter school must provide evidence that 65% of its student population is eligible for the free and reduced-price lunch program.
- School Choice (Component 2)—provides an additional per pupil facilities allowance to eligible charter schools also based on estimated or actual Fiscal Year 2010 enrollment. Eligible applicants are charter schools that meet the criteria for the General Facilities Allowance that can also show that 25% of their student population resides in areas where schools are identified as in need of improvement, corrective action or restructuring under the NCLB.

## Revenue Bond Program

**Website:** <http://dcbiz.dc.gov/dmped/cwp/view,a,1365,q,569383,dmpedNav,|33026|33028|.asp#dcrbp>

**Statutory Reference:** <http://bit.ly/bU88a1> (Title 1 Government Organization => Chapter 2 District of Columbia Home Rule => Subchapter IV The District Charter => Part E Borrowing => Subpart 5 Tax Exemptions; Legal Investment; Water Pollution; Reservoirs; Metro Contributions; and Revenue Bonds => Section 1-204.90)

The Balanced Budget Act of 1997 granted the District of Columbia authority to issue tax-exempt revenue bonds to finance the acquisition, construction and renovation of eligible capital projects owned by non-profit institutions, including charter schools. The Revenue Bond Program provides below-market interest rate loans to qualified organizations from the issuance and sale of tax-exempt municipal revenue bonds, notes or other obligations. Loan funds may be used to finance, refinance or reimburse the costs of acquiring, constructing, restoring, rehabilitating, expanding, improving, equipping and furnishing real property and related facilities. Through the first quarter of 2010, 27 charter school transactions totaling \$240 million have closed, including seven QZAB issuances.

## Office of Public Charter School Financing and Support (OPCSFS), District of Columbia Office of the State Superintendent of Education (OSSE)

**Website:** <http://seo.dc.gov/seo/cwp/view,a,1224,q,556412,seoNav,|31193|.asp>

*ED Credit Enhancement Award Total: \$5.1 million—Fiscal Year 2004*

The OPCSFS administers five programs that offer facilities financing resources to charter schools in the District of Columbia.

### *City Build Public Charter School Initiative*

**Website:** <http://seo.dc.gov/seo/cwp/view,a,1224,q,562411.asp>

The City Build Public Charter School Initiative, established in 2004, is a congressionally funded joint education and neighborhood development initiative that promotes community revitalization with a particular emphasis on strengthening public education through charter schools. The program focuses on encouraging community development, promoting strategic neighborhoods, attracting and retaining residents and creating partnerships between public charter schools and community organizations. Although funds from this program may be used for a variety of purposes, most of the grants awarded to date have been allocated for facilities and expansion projects. The program has awarded \$20 million in funding for 29 charter school projects.

## *Public Facility Grant*

The Public Facility Grant, established in 2007, is a federally funded initiative that provides grants for improving the quality of district-owned educational facilities occupied by charter schools. Grant funds may be used for new construction, renovations, system upgrades, predevelopment soft costs and the addition of non-classroom space, such as resource rooms, labs and athletic rooms. The following applicants receive priority through the program: 1) new applicants; 2) applicants in district-owned facilities occupied for the first time by a charter school; 3) those that have exceeded district averages in terms of academic performance; 4) high schools and early education charter schools with proven track records or those that are new and promising; 5) applicants that leverage other funding from private, governmental or philanthropic sources; 6) those with a long-term strategic plan and vision; 7) applicants with environmentally friendly projects; and 8) those with projects that are in the implementation phase at the time of submission. Since inception, the program has awarded 16 grants totaling \$6.5 million.

### *Direct Loan Fund for Public Charter School Improvement*

**Website:** <http://seo.dc.gov/seo/cwp/view,a,1224,q,562474.asp>

**Statutory Reference:** <http://bit.ly/bU88a1> (Title 38 Educational Institutions => Subtitle IV Public Education—Charter Schools => Chapter 18A Miscellaneous Public Charter School Provisions => Subchapter II Public Charter School Financing and Support => Section 38-1833.02)

The District of Columbia's Direct Loan Fund for Public Charter School Improvement was established in 2003 to provide flexible loan capital for the construction, purchase, renovation and maintenance of charter school facilities. Loans are capped at \$2 million per school, with interest rates and terms varying by project. These loans are frequently used in conjunction with senior debt in larger projects and may function as gap financing in transactions where little equity is available. To date, the fund has provided \$24.1 million in loans to 19 charter schools. Approximately \$4.5 million in federal appropriations have been earmarked for this initiative for Fiscal Year 2010.

### *Public Charter School Credit Enhancement Revolving Fund*

**Website:** <http://seo.dc.gov/seo/cwp/view,a,1224,q,562474.asp>

**Statutory Reference:** <http://bit.ly/aqWUBU> (Sections 1155(e)(2)(B) and 1155(e)(3))

This program was established by the Fiscal Year 2000 District of Columbia Appropriations Act to provide credit enhancement for the purchase, construction and renovation of facilities for public charter schools. The program offers guarantees or collateral pledges of up to \$3 million for two to five years, enabling charter schools with little cash or collateral to obtain affordable financing for their facilities projects. To date, 19 schools have been awarded \$16.9 million in credit enhancement monies for leasehold improvement loans, conventional mortgages, bond financings and small direct loans.



### **Charter School Incubator Initiative (CSII)**

**Website:** <http://seo.dc.gov/seo/cwp/view,a,1224,q,562418.asp>

The Charter School Incubator Initiative, a public-private partnership between OSSE and Building Hope, is a program dedicated to securing and financing facilities for new charter schools serving communities and schools in need where at least 50% of students are eligible for the free and reduced-price lunch program. CSII is funded through a \$4 million federal appropriation sub-granted to Building Hope and a \$5.1 million ED credit enhancement grant. Building Hope is responsible for identifying, acquiring, renovating and managing financed incubator sites, which new charter schools are able to lease as incubator space for one- to three-year periods. Building Hope and OSSE created a separate 501(c)(3) entity for this initiative, which has secured six incubator sites and served 12 schools since inception.

### **Q-Bond Programs**

Charter schools are eligible to participate in the District of Columbia's Q-Bond Programs. Through the first quarter of 2010, seven QZAB issuances totaling \$4.6 million have closed on behalf of six charter schools. Three charter schools received QSCB allocations totaling \$33.9 million, the full amount of the District of Columbia's 2009 allocation.

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## **Wisconsin**

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### **Wisconsin Health and Educational Facilities Authority (WHEFA)**

#### **Conduit Financing**

**Website:** <http://www.whefa.com>

**Statutory Reference:** <http://bit.ly/b09ROU>

The Wisconsin Health and Educational Facilities Authority assists eligible Wisconsin health care and educational institutions obtain tax-exempt financing, including charter schools that are accredited by WHEFA.

#### **City Redevelopment Authority Conduit Financing**

**Statutory Reference:** <http://bit.ly/9eOU1H> (Section 66.1333(5r))

Charter schools also have access to tax-exempt financing through various city redevelopment authorities, which act as conduit issuers.

### **Q-Bond Programs**

Charter schools are able to access Wisconsin's Q-Bond Programs through their local school districts. In Fiscal Year 2006, Milwaukee Public Schools issued \$2 million in QZABs for renovations and remodeling for a charter school and a shared high school campus including four schools, one of which is a charter school.

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## **Wyoming**

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### **Wyoming School Facilities Commission Major Building & Facility Repair & Replacement Program**

**Website:** <http://sfc.state.wy.us/>

**Statutory Reference:** <http://bit.ly/d1Tp1B> (Section 21-15-109)

The Wyoming School Facilities Commission administers funds from the Major Building and Facility Repair and Replacement Program, which was established in 2002. The funds are distributed based upon square footage computations for each school district. A school building or facility that is owned by a school district and used for operating a charter school qualifies to receive its proportionate share of the district's funding under this program.

## APPENDIX A

## SUMMARY DATA FOR NONPROFIT FINANCING ORGANIZATIONS AS OF 12/31/09

| Nonprofit Provider   | Bridgeway   | BH                                       | CSDC         | CRF           | ExED   | IFF                | ISDC                       | KIPP                                 | LISC          |
|--|-------------|--|--------------|---------------|--|--------------------|----------------------------|--------------------------------------|---------------|
| CAPITAL PROVISION  |             |  |              |               |  |                    |                            |                                      |               |
| Geographic Market  | Western PA  | DC, FL (Loans); Nationwide (Enhancement) | Nationwide   | Nationwide    | Los Angeles, Orange and San Diego counties, CA | IL, IN, IA, MO, WI | DE                         | Nationwide, KIPP and partner schools | Nationwide    |
| Year Began Financing Charters                                | 1998        | 1993                                     | 2003         | 2005          | 2004   | 1996               | 2003                       | 2007                                 | 1997          |
| Total Historical Financing <sup>1</sup>                      | \$3,909,300 | \$69,366,000                             | \$33,513,688 | \$9,023,311   | \$1,370,000                                    | \$47,722,431       | \$8,993,000                | \$2,565,500                          | \$97,654,516  |
| Number of Schools Supported <sup>2</sup>                     | 8           | 54                                       | 78           | 5             | 3  | 46                 | 7                          | 9                                    | 130           |
| ED Credit Enhancement Award <sup>3</sup>                     | \$0         | \$4,960,000                              | \$21,600,000 | \$0           | \$0  | \$18,000,000       | \$0                        | \$6,800,000                          | \$26,460,000  |
| MMTC Allocation Award <sup>4</sup>                           | \$0         | \$0                                      | \$40,000,000 | \$597,500,000 | \$121,000,000                                  | \$10,000,000       | \$0                        | \$0                                  | \$623,000,000 |
| MMTC Allocation Employed for Charter Facilities <sup>4</sup> | Na          | Na                                       | \$40,000,000 | \$9,023,311   | \$71,000,000                                   | \$440,000          | Na                         | Na                                   | \$29,900,000  |
| 2009 Financing   | \$0         | \$27,716,000                             | \$7,288,195  | \$1,800,000   | \$1,370,000                                    | \$15,742,208       | \$0                        | \$1,301,000                          | \$16,691,932  |
| 2009 Number of Schools Supported <sup>2</sup>                | 0           | 24                                       | 16           | 1             | 3  | 14                 | 0                          | 5                                    | 30            |
| PORTFOLIO PERFORMANCE  |             |  |              |               |  |                    |                            |                                      |               |
| \$ Amount of Loans Repaid/Refinanced <sup>5</sup>            | \$800,000   | \$24,434,000                             | \$10,638,323 | \$0           | \$0  | \$5,043,169        | \$5,059,000                | \$1,554,500                          | \$19,040,856  |
| Total Number of Financings <sup>6</sup>                      | 6           | 77                                       | 80           | 5             | 3  | 65                 | 11                         | 7                                    | 105           |
| Originated \$ Amount of Defaulted Loans <sup>7</sup>         | \$0         | \$0                                      | \$894,000    | \$0           | \$0  | \$631,015          | \$0                        | \$0                                  | \$3,275,000   |
| Default Rate as % of Total \$ Originated                     | 0.00%       | 0.00%                                    | 2.67%        | 0.00%         | 0.00%  | 1.32%              | 0.00%                      | 0.00%                                | 3.36%         |
| Number of Defaulted Financings <sup>8</sup>                  | 0           | 0  | 2            | 0             | 0  | 4                  | 0                          | 0                                    | 2             |
| Default Rate as % of Total Number Originated                 | 0.00%       | 0.00%                                    | 2.50%        | 0.00%         | 0.00%  | 6.15%              | 0.00%                      | 0.00%                                | 1.90%         |
| \$ Amount of Write-offs                                      | \$0         | \$0                                      | \$494,000    | \$0           | \$0  | \$236,970          | \$0                        | \$0                                  | \$1,235,040   |
| Write-off Rate as % of Total \$ Originated                   | 0.00%       | 0.00%                                    | 1.47%        | 0.00%         | 0.00%  | 0.50%              | 0.00%                      | 0.00%                                | 1.27%         |
| Number of Write-offs <sup>9</sup>                            | 0           | 0  | 2            | 0             | 0  | 4                  | 0                          | 0                                    | 2             |
| Write-off Rate as % of Total Number Originated               | 0.00%       | 0.00%                                    | 2.50%        | 0.00%         | 0.00%  | 6.15%              | 0.00%                      | 0.00%                                | 1.90%         |
| FINANCING TERMS  |             |  |              |               |  |                    |                            |                                      |               |
| Maximum Amount   | \$665,000   | \$5,500,000/<br>\$500,000 <sup>9</sup>   | \$500,000    | \$10,000,000  | None   | \$1,500,000        | Up to 30% of loan or lease | Varies                               | \$2,000,000   |
| Maximum Term (years)   | 10          | 5  | 7            | 7             | 7  | 30                 | Varies                     | Varies                               | 7             |
| Maximum Amortization (years)                                 | 25          | 25                                       | Na           | 20            | 25   | 30                 | 20                         | Varies                               | 20            |
| Technical Assistance   | Yes         | Yes                                      | Yes          | No            | Yes  | Yes                | Yes                        | Yes                                  | Yes           |
| Grants   | Yes         | No                                       | No           | No            | No   | No                 | No                         | No                                   | Yes           |
| Recoverable Grants   | No          | No                                       | No           | No            | Yes  | No                 | No                         | No                                   | Yes           |
| Construction Loans   | Yes         | Yes                                      | No           | No            | Yes  | Yes                | No                         | Yes                                  | Yes           |
| Mini-Perm Loans  | Yes         | Yes                                      | No           | No            | Yes  | Yes                | No                         | Yes                                  | Yes           |
| Leasehold Improvement Loans                                  | Yes         | Yes                                      | No           | No            | Yes  | Yes                | No                         | Yes                                  | Yes           |
| Guarantees/Credit Enhancement                                | Yes         | Yes                                      | Yes          | No            | Yes  | Yes                | Yes                        | Yes                                  | Yes           |

# SUMMARY DATA FOR NONPROFIT FINANCING ORGANIZATIONS AS OF 12/31/09

| Nonprofit Provider   | LIIF   | NCBCI         | NIJCC                       | MAF         | PAVE          | RDF          | Self-Help     | TRF                 | Total/Average   |
|--|--|---------------|-----------------------------|-------------|---------------|--------------|---------------|---------------------|-----------------|
| <b>CAPITAL PROVISION</b>                                     |  |               |                             |             |               |              |               |                     |                 |
| Geographic Market  | CA, WA, NJ, NY, PA, DC and case-by-case nationally | Nationwide    | NJ, case-by-case nationally | MN          | Milwaukee, WI | Nationwide   | Nationwide    | DE, MD, NJ, PA & DC |                 |
| Year Began Financing Charters                                | 1999   | 1995          | 2004                        | 2000        | 2001          | 1999         | 1997          | 1997                |                 |
| Total Historical Financing <sup>1</sup>                      | \$64,203,161                                       | \$387,517,332 | \$36,283,221                | \$4,943,000 | \$3,275,000   | \$52,827,528 | \$106,523,013 | \$165,264,892       | \$1,111,376,818 |
| Number of Schools Supported <sup>2</sup>                     | 46   | 148           | 12                          | 19          | 8             | 55           | 43            | 45                  |                 |
| ED Credit Enhancement Award <sup>3</sup>                     | \$8,000,000  | \$28,000,000  | \$8,150,000                 | \$0         | \$0           | \$14,550,000 | \$10,200,000  | \$20,000,000        | \$156,720,000   |
| NMTC Allocation Award <sup>4</sup>                           | \$139,000,000                                      | \$409,000,000 | \$50,000,000                | \$0         | \$0           | \$0          | \$220,000,000 | \$278,500,000       | \$2,618,000,000 |
| NMTC Allocation Employed for Charter Facilities <sup>4</sup> | \$26,500,000                                       | \$86,837,000  | \$6,020,000                 | Na          | Na            | Na           | \$62,593,835  | \$29,399,000        | \$369,213,146   |
| 2009 Financing   | \$12,177,764                                       | \$102,278,471 | \$8,700,000                 | \$0         | \$0           | \$14,270,000 | \$167,000     | \$11,659,000        | \$227,996,300   |
| 2009 Number of Schools Supported <sup>2</sup>                | 7  | 32            | 5                           | 0           | 0             | 29           | 1             | 3                   |                 |
| <b>PORTFOLIO PERFORMANCE</b>                                 |  |               |                             |             |               |              |               |                     |                 |
| \$ Amount of Loans Repaid/Refinanced <sup>5</sup>            | \$35,662,613                                       | \$80,837,332  | \$5,740,360                 | \$1,117,000 | \$950,000     | \$11,286,650 | \$42,325,330  | \$83,794,536        | \$342,840,319   |
| Total Number of Financings <sup>6</sup>                      | 46   | 227           | 12                          | 19          | 8             | 56           | 72            | 57                  | 875             |
| Originated \$ Amount of Defaulted Loans <sup>7</sup>         | \$4,310,000  | \$770,000     | \$200,000                   | \$0         | \$0           | \$750,000    | \$0           | \$0                 | \$10,830,015    |
| Default Rate as % of Total \$ Originated                     | 6.71%  | 0.20%         | 0.52%                       | 0.00%       | 0.00%         | 1.42%        | 0.00%         | 0.00%               | 0.97%           |
| Number of Defaulted Financings <sup>8</sup>                  | 2  | 3             | 1                           | 0           | 0             | 1            | 0             | 0                   | 13              |
| Default Rate as % of Total Number Originated                 | 4.35%  | 1.32%         | 8.33%                       | 0.00%       | 0.00%         | 1.79%        | 0.00%         | 0.00%               | 1.49%           |
| \$ Amount of Write-offs                                      | \$697,412  | \$440,000     | \$0                         | \$0         | \$0           | \$558,011    | \$0           | \$0                 | \$3,661,433     |
| Write-off Rate as % of Total \$ Originated                   | 1.09%  | 0.11%         | 0.00%                       | 0.00%       | 0.00%         | 1.06%        | 0.00%         | 0.00%               | 0.33%           |
| Number of Write-offs <sup>9</sup>                            | 1  | 1             | 0                           | 0           | 0             | 1            | 0             | 0                   | 9               |
| Write-off Rate as % of Total Number Originated               | 2.17%  | 0.44%         | 0.00%                       | 0.00%       | 0.00%         | 1.79%        | 0.00%         | 0.00%               | 1.03%           |
| <b>FINANCING TERMS</b>                                       |  |               |                             |             |               |              |               |                     |                 |
| Maximum Amount   | \$3,500,000  | \$15,000,000  | \$4,300,000                 | \$500,000   | \$1,000,000   | \$6,500,000  | No Max        | \$4,500,000         |                 |
| Maximum Term (years)   | 7  | 25            | 7                           | 5           | 5             | 7            | No Max        | 10                  |                 |
| Maximum Amortization (years)                                 | 20-25  | 25            | 25                          | 20          | 20            | 20           | 20            | 25                  |                 |
| Technical Assistance   | Yes  | No            | Yes                         | Yes         | Yes           | Yes          | Yes           | Yes                 |                 |
| Grants   | No   | No            | No                          | No          | No            | Yes          | No            | No                  |                 |
| Recoverable Grants   | No   | No            | No                          | No          | No            | Yes          | No            | No                  |                 |
| Construction Loans   | Yes  | Yes           | Yes                         | Yes         | Yes           | Yes          | Yes           | Yes                 |                 |
| Mini-Perm Loans  | Yes  | Yes           | Yes                         | Yes         | Yes           | Yes          | Yes           | Yes                 |                 |
| Leasehold Improvement Loans                                  | Yes  | Yes           | Yes                         | Yes         | No            | Yes          | Yes           | Yes                 |                 |
| Guarantees/Credit Enhancement                                | Yes  | Yes           | Yes                         | No          | No            | Yes          | Yes           | No                  |                 |

## SUMMARY DATA FOR NONPROFIT FINANCING ORGANIZATIONS AS OF 12/31/09

A downloadable spreadsheet is available at <http://www.ilisc.org/efrc/2010Landscape>.

### PROVIDER KEY

| Organization                               | In Table  |
|--|-----------|
| Bridgeway Capital                          | Bridgeway |
| Building Hope                              | BH        |
| Charter Schools Development Corporation    | CSDC      |
| Community Reinvestment Fund, USA           | CRF       |
| Excellent Education Development, Inc.      | EXED      |
| IFF  | IFF       |
| Innovative Schools Development Corporation | ISDC      |
| KIPP Foundation                            | KIPP      |
| Local Initiatives Support Corporation      | LISC      |
| Low Income Investment Fund                 | LIIF      |
| NCB Capital Impact                         | NCBCI     |
| New Jersey Community Capital               | NJCC      |
| Nonprofits Assistance Fund                 | NAF       |
| Nonprofit Finance Fund                     | NFF       |
| Partners Advancing Values in Education     | PAVE      |
| Raza Development Fund, Inc.                | RDF       |
| Self-Help                                  | Self-Help |
| The Reinvestment Fund, Inc.                | TRF       |

### Notes

- Financing defined as grants, recoverable grants, loans and guarantees.
- No total number of schools due to repeat schools across organizations.
- "ED" is the U.S. Department of Education. Total does not add across columns due to \$10 million joint award to NCBCI and TRF that is included in each organization's number.
- "NMTC" is New Markets Tax Credit. Seven of the organizations have not received a NMTC allocation to date; thus their utilization is listed as not applicable, "N/A."
- Includes full repayments only; does not include partial amortizations or restructurings.
- Includes only those financings with a repayment obligation; it excludes grants. Total does not add across columns due to participation loans.
- A defaulted loan is defined as one in which the school can no longer make debt service payments and the lender must litigate or foreclose for repayment. This figure represents the loan amount at origination; not the amount outstanding at default.
- Total does not add across columns due to a single participation loan to one school in Inglewood, CA in which three of the nonprofit lenders participated.
- Maximum for loans is \$5,500,000, and maximum for credit enhancement is \$500,000.

**RATED CHARTER SCHOOL BOND ISSUANCE THROUGH 12/31/09**

| Dated Date  | State | Issuer   | School  | \$ Par Millions | Credit Enhancement  | Rating Agency | Rating at Issuance |            | Current Rating |            |
|-------------|-------|--|---|-----------------|---|---------------|--------------------|------------|----------------|------------|
|             |       |  |   |                 |   |               | Enhanced           | Unenhanced | Enhanced       | Unenhanced |
| 1 12/23/09  | AZ    | Phoenix, AZ Industrial Development Authority                     | Career Success Schools  | 11.255          | Unenhanced  | S&P           | Na                 | BBB-       | Na             | BBB-       |
| 2 12/22/09  | IN    | Indiana State Finance Authority                                  | Thea Bowman Leadership Academy  | 19.355          | Unenhanced  | S&P           | Na                 | BBB-       | Na             | BBB-       |
| 3 12/10/09  | TX    | Pharr, TX Higher Education Finance Authority                     | IDEA Public Schools (Donna, Frontier, Quest, Mission, San Benito, San Juan, Alamo, Pharr) | 29.625          | Unenhanced  | S&P           | Na                 | BBB        | Na             | BBB        |
| 4 11/19/09  | TX    | La Vernia Higher Education Finance Corporation                   | KIPP Inc. (Houston)   | 66.865          | Third-party Guaranty <sup>1</sup>                                       | Fitch S&P     | BBB<br>BBB         | MR<br>MR   | BBB<br>BBB     | MR<br>MR   |
| 5 10/01/09  | CO    | Colorado Educational and Cultural Facilities Authority           | Crowne Point Academy of Westminster   | 7.755           | Moral Obligation  | Fitch         | A                  | MR         | A              | MR         |
| 6 08/31/09  | TX    | Tarrant County Cultural Education Facilities Finance Corporation | Oak Cliff Academy, dba Trinity Basic Preparatory  | 4.880           | Unenhanced  | S&P           | Na                 | BBB-       | Na             | BBB-       |
| 7 07/08/09  | ID    | Idaho Housing and Finance Association                            | Victory Charter School, Inc.  | 0.855           | Unenhanced  | S&P           | Na                 | BBB-       | Na             | BBB-       |
| 8 07/01/09  | IN    | Indiana State Finance Authority                                  | Irvington Community School  | 7.750           | Unenhanced  | S&P           | Na                 | BBB-       | Na             | BBB-       |
| 9 06/30/09  | MA    | Massachusetts Development Finance Agency                         | SABIS International Charter School  | 33.755          | Unenhanced  | S&P           | Na                 | BBB        | Na             | BBB        |
| 10 06/09/09 | MI    | Michigan Public Educational Facilities Authority                 | Bradford Academy  | 10.720          | Unenhanced  | S&P           | Na                 | BBB-       | Na             | BBB-       |
| 11 05/13/09 | CA    | California Municipal Finance Authority                           | King-Chavez Academies   | 8.895           | Unenhanced  | S&P           | Na                 | BBB-       | Na             | BBB-       |
| 12 03/19/09 | GA    | Greene County Development Authority                              | Lake Oconee Academy   | 17.205          | Assured Guaranty/<br>School District<br>General Obligation <sup>2</sup> | MDY S&P       | Aa2<br>AAA         | MR<br>MR   | Aa3<br>AAA-    | NR<br>NR   |
| 13 03/10/09 | ID    | Idaho Housing and Finance Association                            | North Star Charter School, Inc.   | 11.775          | Unenhanced  | S&P           | Na                 | BB         | Na             | BB         |
| 14 02/19/09 | TX    | La Vernia Higher Education Finance Corporation                   | Winfree Academy Charter School  | 8.305           | Unenhanced  | S&P           | Na                 | BBB-       | Na             | BBB-       |
| 15 02/15/09 | TX    | Clifton Higher Education Finance Corporation                     | Tejano Center Community Concerns (Raul Yzaguirre School)                                  | 25.200          | Unenhanced  | S&P           | Na                 | BBB-       | Na             | BBB-       |
| 16 02/11/09 | IN    | Indiana State Finance Authority                                  | Lighthouse Academies, Inc. (Monument, Gary, West Gary)                                    | 15.435          | Harris IA   | S&P           | A+                 | MR         | A+             | MR         |
| 17 11/18/08 | CO    | Colorado Educational and Cultural Facilities Authority           | Twin Peaks Charter Academy  | 14.235          | Moral Obligation  | S&P           | A                  | BBB-       | A              | BBB-       |
| 18 10/30/08 | CO    | Colorado Educational and Cultural Facilities Authority           | The Classical Academy   | 14.025          | Moral Obligation  | S&P           | A                  | BBB        | A              | BBB        |
| 19 09/30/08 | FL    | Florida Development Finance Corporation                          | Sculptor Charter School   | 4.960           | Unenhanced  | S&P           | Na                 | BBB-       | Na             | BBB-       |
| 20 09/18/08 | IL    | Illinois Finance Authority                                       | Prairie Crossing Charter School   | 9.440           | Marshall & Isley  | MDY           | Aa3                | NR         | A1             | NR         |
| 21 08/27/08 | AZ    | Pima County Industrial Development Authority                     | Delaware Military Academy   | 12.200          | PNC Bank IA   | S&P           | AA                 | NR         | A+             | NR         |
| 22 08/26/08 | CO    | Colorado Educational and Cultural Facilities Authority           | Academy of Charter School   | 6.145           | Moral Obligation  | S&P           | A                  | MR         | A              | MR         |
| 23 08/01/08 | MI    | Michigan Public Educational Facilities Authority                 | Chandler Park Academy   | 8.465           | Unenhanced  | S&P           | Na                 | BBB        | Na             | BBB        |
| 24 07/23/08 | ID    | Idaho Housing and Finance Association                            | Victory Charter School, Inc.  | 3.965           | Unenhanced  | S&P           | Na                 | BBB        | Na             | BBB-       |
| 25 07/17/08 | MI    | Michigan Public Educational Facilities Authority                 | Michigan Technical Academy  | 3.885           | Fifth Third Bank  | S&P           | AA-                | BB         | BBB+           | BB         |
| 26 07/10/08 | SC    | South Carolina Jobs-Economic Development Authority               | Brashier Charter LLC  | 8.410           | SunTrust Bank   | MDY           | Aa2                | NR         | A2             | NR         |

## RATED CHARTER SCHOOL BOND ISSUANCE THROUGH 12/31/09

| Dated Date | State    | Issuer | School   | \$ Par Millions | Credit Enhancement           | Rating Agency | Rating at Issuance |              | Current Rating                   |              |
|------------|----------|--------|--|-----------------|------------------------------|---------------|--------------------|--------------|----------------------------------|--------------|
|            |          |        |  |                 |                              |               | Enhanced           | Unenhanced   | Enhanced                         | Unenhanced   |
| 27         | 06/19/08 | MA     | Massachusetts Development Finance Agency                           | 35,000          | TD Banknorth NA              | MDY           | Aa2                | MR           | Aa2                              | MR           |
| 28         | 05/29/08 | ID     | Idaho Housing and Finance Association                              | 4,005           | Unenhanced                   | S&P           | Na                 | BBB          | Na                               | BBB          |
| 29         | 05/16/08 | NC     | North Carolina Capital Facilities Finance Agency                   | 20,000          | Wachovia Bank                | S&P           | AA                 | MR           | AA                               | MR           |
| 30         | 04/29/08 | CA     | California Municipal Finance Authority                             | 23,515          | Unenhanced                   | Fitch         | Na                 | BB+          | Na                               | BB+          |
| 31         | 03/27/08 | AZ     | Pima County Industrial Development Authority                       | 5,860           | Unenhanced                   | MDY           | Na                 | Baa3         | Na                               | Baa3         |
| 32         | 02/26/08 | ID     | Idaho Housing and Finance Association                              | 7,320           | Unenhanced                   | S&P           | Na                 | BB+          | Na                               | BB+          |
| 33         | 01/01/08 | TX     | Denbury Higher Education Authority, Inc.                           | 8,100           | Unenhanced                   | S&P           | Na                 | BB+          | Na                               | BB+          |
| 34         | 12/28/07 | PA     | Chester County Industrial Development Authority                    | 20,900          | Unenhanced                   | S&P           | Na                 | BB+          | Na                               | BB+          |
| 35         | 12/27/07 | CO     | Colorado Educational and Cultural Facilities Authority             | 10,605          | Moral Obligation             | S&P           | A                  | BBB-         | A                                | BBB-         |
| 36         | 12/13/07 | UT     | Utah State Charter School Finance Authority                        | 17,900          | Unenhanced                   | S&P           | Na                 | BBB-         | Na                               | BBB-         |
| 37         | 10/25/07 | AZ     | Pima County Industrial Development Authority                       | 82,185          | Unenhanced                   | Fitch         | Na                 | BBB          | Na                               | BBB          |
| 38         | 09/28/07 | CO     | Colorado Educational and Cultural Facilities Authority             | 12,270          | Unenhanced                   | S&P           | Na                 | BB           | Na                               | BB           |
| 39         | 09/27/07 | FL     | Florida Development Finance Corporation                            | 6,260           | Unenhanced                   | S&P           | Na                 | BB-          | Na                               | BB-          |
| 40         | 09/27/07 | PA     | Philadelphia Authority for Industrial Development                  | 18,000          | Unenhanced                   | S&P           | Na                 | BBB-         | Na                               | BBB-         |
| 41         | 09/20/07 | RI     | Rhode Island Health and Educational Building Corporation           | 7,000           | Citizens Bank                | S&P           | AA-                | MR           | A-                               | MR           |
| 42         | 09/05/07 | PA     | Philadelphia Authority for Industrial Development                  | 17,000          | Unenhanced                   | S&P           | Na                 | BBB-         | Na                               | BBB-         |
| 43         | 08/30/07 | FL     | Florida Development Finance Corporation                            | 7,475           | Unenhanced                   | S&P           | Na                 | BBB-         | Na                               | BBB-         |
| 44         | 08/23/07 | CO     | Colorado Educational and Cultural Facilities Authority             | 7,545           | CIFG NA/<br>Moral Obligation | MDY<br>S&P    | Aaa<br>AAA         | NR<br>NR     | WDN (5/08)<br>A                  | NR<br>NR     |
| 45         | 08/23/07 | NC     | North Carolina Capital Facilities Finance Agency                   | 6,175           | Wachovia Bank                | S&P           | AA                 | MR           | AA                               | MR           |
| 46         | 08/01/07 | TX     | Texas Public Finance Authority, Charter School Finance Corporation | 10,380          | Unenhanced                   | MDY<br>S&P    | Na                 | Baa3<br>BBB- | Na                               | Baa3<br>BBB- |
| 47         | 07/18/07 | IL     | Illinois Finance Authority   | 16,000          | ACA Financial                | S&P           | A                  | MR           | WDN (7/08) <sup>3</sup><br>(AAA) | MR           |
| 48         | 07/18/07 | NC     | North Carolina Capital Facilities Finance Agency                   | 5,000           | Wachovia Bank                | S&P           | AA                 | MR           | AA                               | MR           |
| 49         | 07/18/07 | PA     | Philadelphia Authority for Industrial Development                  | 7,810           | Unenhanced                   | S&P           | Na                 | BBB-         | Na                               | BBB-         |
| 50         | 07/12/07 | AZ     | Pima County Industrial Development Authority                       | 9,000           | Unenhanced                   | S&P           | Na                 | BBB-         | Na                               | BBB-         |
| 51         | 07/05/07 | CO     | Colorado Educational and Cultural Facilities Authority             | 6,905           | Unenhanced                   | S&P           | Na                 | BB+          | Na                               | BB+          |
| 52         | 07/02/07 | CO     | Colorado Educational and Cultural Facilities Authority             | 20,900          | CIFG NA/<br>Moral Obligation | S&P           | AAA                | MR           | AAA                              | MR           |
| 53         | 06/14/07 | CO     | Colorado Educational and Cultural Facilities Authority             | 9,300           | CIFG NA/<br>Moral Obligation | S&P           | AAA                | MR           | AAA                              | MR           |

## RATED CHARTER SCHOOL BOND ISSUANCE THROUGH 12/31/09

| Dated Date | State    | Issuer | School   | \$ Par Millions | Credit Enhancement                                     | Rating Agency | Rating at Issuance |            | Current Rating   |            |
|------------|----------|--------|--|-----------------|--|---------------|--------------------|------------|------------------|------------|
|            |          |        |  |                 |  |               | Enhanced           | Unenhanced | Enhanced         | Unenhanced |
| 54         | 06/12/07 | MI     | Michigan Public Educational Facilities Authority                   | 6.435           | Unenhanced   | S&P           | Na                 | BBB-       | Na               | BBB-       |
| 55         | 05/31/07 | IL     | Illinois Finance Authority   | 13.885          | ACA Financial  | S&P           | A                  | MR         | WDN (1/08)       | MR         |
| 56         | 05/25/07 | FL     | Hillsborough County Industrial Development Authority               | 6.215           | Unenhanced   | S&P           | Na                 | BBB-       | Na               | BBB-       |
| 57         | 05/24/07 | DC     | District of Columbia   | 25.000          | ACA Financial  | S&P           | A                  | BB+        | BB+ <sup>4</sup> | BB+        |
| 58         | 05/01/07 | TX     | Texas Public Finance Authority, Charter School Finance Corporation | 29.995          | Unenhanced   | S&P           | Na                 | BB+        | Na               | WDN (4/08) |
| 59         | 05/01/07 | TX     | Texas Public Finance Authority, Charter School Finance Corporation | 37.095          | ACA Financial  | S&P           | A                  | BBB-       | BBB <sup>4</sup> | BBB        |
| 60         | 04/24/07 | CO     | Colorado Educational and Cultural Facilities Authority             | 15.570          | CIFG NA/<br>Moral Obligation                           | S&P           | AAA                | BBB-       | A                | BBB-       |
| 61         | 04/15/07 | PA     | Bucks County Industrial Development Authority                      | 11.300          | Unenhanced   | S&P           | Na                 | BBB        | Na               | BBB        |
| 62         | 04/03/07 | FL     | Lee County Industrial Development Authority                        | 82.165          | Unenhanced   | S&P           | Na                 | BB         | Na               | BB         |
| 63         | 03/30/07 | NY     | City of Albany Industrial Development Agency                       | 18.490          | Unenhanced   | Fitch         | Na                 | BBB-       | Na               | BBB-       |
| 64         | 03/21/07 | AZ     | Pima County Industrial Development Authority                       | 6.220           | Unenhanced   | S&P           | Na                 | BBB-       | Na               | BBB-       |
| 65         | 03/13/07 | MI     | Grand Traverse Academy   | 16.200          | Unenhanced   | S&P           | Na                 | BBB-       | Na               | BBB-       |
| 66         | 03/08/07 | ID     | Idaho Housing and Finance Association                              | 5.805           | Bank of America  | MDY           | Aa1                | MR         | WDN (4/09)       | MR         |
| 67         | 02/08/07 | IL     | Illinois Finance Authority   | 49.475          | Unenhanced   | S&P           | Na                 | BBB        | Na               | BBB        |
| 68         | 01/31/07 | FL     | St. Lucie County School Board                                      | 21.865          | National/School District Lease Obligation <sup>5</sup> | MDY           | Aaa                | MR         | A2               | MR         |
| 69         | 01/24/07 | MI     | Comer Creek Academy East   | 16.215          | Unenhanced   | S&P           | Na                 | BB+        | Na               | BB+        |
| 70         | 01/18/07 | AZ     | Pima County Industrial Development Authority                       | 14.995          | Unenhanced   | MDY           | Na                 | Baa3       | Na               | Baa3       |
| 71         | 12/29/06 | DC     | District of Columbia   | 15.000          | ACA Financial  | S&P           | A                  | BBB        | BBB <sup>4</sup> | BBB        |
| 72         | 12/21/06 | UT     | West Valley City, Utah   | 6.500           | KeyBank National                                       | S&P           | A                  | MR         | WDN (5/07)       | MR         |
| 73         | 12/19/06 | CO     | Colorado Educational and Cultural Facilities Authority             | 5.235           | CIFG NA/<br>Moral Obligation                           | S&P           | AAA                | BBB        | A                | BBB        |
| 74         | 12/14/06 | PA     | Philadelphia Authority for Industrial Development                  | 11.525          | Unenhanced   | S&P           | Na                 | BBB        | Na               | WDN (1/09) |
| 75         | 11/29/06 | CO     | Colorado Educational and Cultural Facilities Authority             | 9.805           | CIFG NA/<br>Moral Obligation                           | MDY<br>S&P    | Aaa<br>AAA         | MR<br>BBB- | WDN (5/08)<br>A  | MR<br>BBB- |
| 76         | 11/28/06 | MIN    | Housing and Redevelopment Authority of St. Paul, MN                | 17.245          | Unenhanced   | S&P           | Na                 | BBB-       | Na               | BBB-       |
| 77         | 11/01/06 | TX     | La Vernia Higher Education Finance Corporation                     | 9.470           | ACA Financial  | S&P           | A                  | MR         | WDN (1/08)       | MR         |

## RATED CHARTER SCHOOL BOND ISSUANCE THROUGH 12/31/09

| Dated Date | State    | Issuer | School   | \$ Par Millions  | Credit Enhancement | Rating Agency                | Rating at Issuance  |                   | Current Rating   |                        |                        |
|------------|----------|--------|--|--|--------------------|------------------------------|---------------------|-------------------|------------------|------------------------|------------------------|
|            |          |        |  |  |                    |                              | Enhanced            | Unenhanced        | Enhanced         | Unenhanced             |                        |
| 78         | 10/31/06 | DE     | New Castle County, DE  | Newark Charter School, Inc.                                      | 14,905             | Unenhanced                   | S&P                 | Na                | BBB-             | Na                     | BBB+                   |
| 79         | 10/04/06 | CO     | Colorado Educational and Cultural Facilities Authority             | Frontier Academy   | 17,750             | CIFG NA/<br>Moral Obligation | MDY<br>S&P          | Aaa<br>AAA        | NR<br>BBB-       | WDN (5/08)<br>A        | NR<br>BBB-             |
| 80         | 09/29/06 | FL     | Florida Development Finance Corporation                            | Palm Bay Academy Charter School                                  | 5,920              | Unenhanced                   | S&P                 | Na                | BB-              | Na                     | BB-                    |
| 81         | 09/27/06 | CO     | Colorado Educational and Cultural Facilities Authority             | Cheyenne Mountain Charter Academy                                | 11,670             | CIFG NA/<br>Moral Obligation | S&P                 | AAA               | BBB-             | A                      | BBB-                   |
| 82         | 09/12/06 | CO     | Colorado Educational and Cultural Facilities Authority             | Academy Charter School   | 7,985              | Moral Obligation             | S&P                 | A                 | BBB              | A                      | BBB                    |
| 83         | 08/30/06 | IL     | Illinois Finance Authority   | Noble Network, UNO Network<br>(Rauner College Prep, Pritzker)    | 18,745             | ACA Financial                | S&P                 | A                 | NR               | WDN (1/08)             | NR                     |
| 84         | 08/01/06 | TX     | Danbury Higher Education Authority, Inc.                           | A.W. Brown Fellowship Charter School                             | 5,140              | ACA Financial                | S&P                 | A                 | BBB-             | WDN (2/10)             | WDN (2/10)             |
| 85         | 08/01/06 | TX     | Texas Public Finance Authority, Charter School Finance Corporation | KIPP Inc. (Houston)  | 35,415             | ACA Financial                | S&P                 | A                 | BBB-             | BBB <sup>4</sup>       | BBB                    |
| 86         | 07/05/06 | MA     | Massachusetts Development Finance Agency                           | Academy of the Pacific Rim                                       | 11,775             | ACA Financial                | S&P                 | A                 | NR               | WDN (1/08)             | NR                     |
| 87         | 07/01/06 | TX     | City of Cameron Education Corporation                              | Faith Family Academy Charter School                              | 16,640             | ACA Financial                | S&P                 | A                 | BBB-             | BBB- <sup>4</sup>      | BBB-                   |
| 88         | 06/08/06 | CA     | California Municipal Finance Authority                             | American Heritage Education Foundation<br>(Esccondido, Heritage) | 25,500             | Unenhanced                   | S&P                 | Na                | BBB-             | Na                     | BBB-                   |
| 89         | 06/01/06 | TX     | Orchard Higher Education Finance Corporation                       | IVOS Charter School  | 5,080              | ACA Financial                | S&P                 | A                 | NR               | WDN (1/08)             | NR                     |
| 90         | 05/23/06 | AZ     | Pima County Industrial Development Authority                       | Paradise Education Center  | 5,515              | Unenhanced                   | S&P                 | Na                | BB+              | Na                     | BB                     |
| 91         | 04/15/06 | PA     | Philadelphia Authority for Industrial Development                  | Richard Allen Preparatory School                                 | 5,790              | Unenhanced                   | S&P                 | Na                | BB+              | Na                     | BBB-                   |
| 92         | 02/14/06 | MI     | Michigan Public Educational Facilities Authority                   | Michigan Technical Academy                                       | 6,950              | Unenhanced                   | S&P                 | Na                | BB               | Na                     | BB+                    |
| 93         | 12/20/05 | MI     | Summit Academy   | Summit Academy   | 6,855              | Unenhanced                   | S&P                 | Na                | BB+              | Na                     | BB+                    |
| 94         | 12/14/05 | FL     | Palm Beach County, FL  | G Star School of the Arts  | 4,455              | Unenhanced                   | S&P                 | Na                | BB               | Na                     | BB                     |
| 95         | 12/13/05 | MI     | Michigan Public Educational Facilities Authority                   | Old Redford Academy  | 11,110             | Unenhanced                   | S&P                 | Na                | BBB-             | Na                     | BBB-                   |
| 95         | 12/06/05 | MI     | Plymouth Educational Center Charter School                         | Plymouth Educational Center Charter School                       | 13,850             | Unenhanced                   | S&P                 | Na                | BBB-             | Na                     | BBB-                   |
| 97         | 10/01/05 | TX     | Besley Higher Education Finance Corporation                        | Uplift Education (North Hills)                                   | 15,945             | ACA Financial                | MDY<br>S&P          | NR<br>A           | Baa3<br>NR       | NR<br>WDN (1/08)       | Baa3<br>NR             |
| 98         | 09/20/05 | MI     | Summit Academy North   | Summit Academy North   | 26,595             | Unenhanced                   | S&P                 | Na                | BB+              | Na                     | BB+                    |
| 99         | 08/30/05 | CO     | Colorado Educational and Cultural Facilities Authority             | Excel Academy Charter School                                     | 7,610              | Syncora/<br>Moral Obligation | Fitch<br>MDY<br>S&P | AAA<br>Aaa<br>AAA | NR<br>NR<br>BBB- | WDN<br>WDN (6/08)<br>A | NR<br>NR<br>WDN (5/09) |
| 100        | 08/30/05 | CO     | Colorado Educational and Cultural Facilities Authority             | Ridgeview Classical Schools                                      | 8,185              | Syncora/<br>Moral Obligation | Fitch<br>MDY<br>S&P | AAA<br>Aaa<br>AAA | NR<br>NR<br>BBB- | WDN<br>WDN (6/08)<br>A | NR<br>NR<br>WDN (6/07) |
| 101        | 08/16/05 | MI     | Detroit Community High School                                      | Detroit Community High School                                    | 11,865             | Unenhanced                   | S&P                 | Na                | BB               | Na                     | BB                     |
| 102        | 08/09/05 | MI     | Chandler Park Academy  | Chandler Park Academy  | 7,420              | Unenhanced                   | S&P                 | Na                | BBB-             | Na                     | BBB                    |



## RATED CHARTER SCHOOL BOND ISSUANCE THROUGH 12/31/09

| 103 | 07/21/05 | PA | Philadelphia Authority for Industrial Development                  | Issuer | State | Dated Date | School | \$ Par Millions | Credit Enhancement                                     | Rating Agency | Rating at Issuance |            | Current Rating   |            |
|-----|----------|----|--|--------|-------|------------|--------|-----------------|--|---------------|--------------------|------------|------------------|------------|
|     |          |    |  |        |       |            |        |                 |  |               | Enhanced           | Unenhanced | Enhanced         | Unenhanced |
|     |          |    | Leadership Learning Partners Charter School                        |        |       |            |        | 10,700          | Unenhanced   | S&P           | Na                 | BBB-       | Na               | BB         |
|     |          |    | Milwaukee, WI Redevelopment Authority                              |        |       |            |        | 12,260          | Unenhanced   | S&P           | Na                 | BB+        | Na               | BBB-       |
|     |          |    | Pima County Industrial Development Authority                       |        |       |            |        | 2,280           | Unenhanced   | MDY           | Na                 | Baa3       | Na               | Baa3       |
|     |          |    | Colorado Educational and Cultural Facilities Authority             |        |       |            |        | 2,470           | Sincora/Moral Obligation                               | Fitch MDY S&P | AAA                | NR         | WDN              | NR         |
|     |          |    | District of Columbia   |        |       |            |        | 16,600          | Bank of America  | MDY           | Aa1                | NR         | Aa3              | NR         |
|     |          |    | Colorado Educational and Cultural Facilities Authority             |        |       |            |        | 14,370          | Sincora/Moral Obligation                               | Fitch MDY S&P | AAA                | BBB-       | WDN              | WDN (2/09) |
|     |          |    | Colorado Educational and Cultural Facilities Authority             |        |       |            |        | 6,275           | Sincora/Moral Obligation                               | Fitch MDY S&P | AAA                | NR         | WDN              | NR         |
|     |          |    | School Board of Osceola County, FL                                 |        |       |            |        | 12,095          | National/School District Lease Obligation <sup>5</sup> | Fitch MDY S&P | AAA                | NR         | WDN              | NR         |
|     |          |    | Massachusetts Development Finance Agency                           |        |       |            |        | 3,310           | Sovereign Bank   | S&P           | AA+                | NR         | AA+              | NR         |
|     |          |    | Pima County Industrial Development Authority                       |        |       |            |        | 32,845          | Unenhanced   | S&P           | Na                 | BBB-       | Na               | BBB        |
|     |          |    | Orchard Higher Education Finance Corporation                       |        |       |            |        | 6,250           | ACA Financial  | S&P           | A                  | NR         | WDN (2/10)       | NR         |
|     |          |    | Texas Public Finance Authority, Charter School Finance Corporation |        |       |            |        | 9,070           | Unenhanced   | S&P           | Na                 | BB         | Na               | BB         |
|     |          |    | District of Columbia   |        |       |            |        | 6,295           | Bank of America  | MDY           | Aa1                | NR         | Aa3              | NR         |
|     |          |    | Colorado Educational and Cultural Facilities Authority             |        |       |            |        | 8,025           | Sincora/Moral Obligation                               | Fitch MDY S&P | AAA                | NR         | WDN              | NR         |
|     |          |    | Chester County Industrial Development Authority                    |        |       |            |        | 16,000          | ACA Financial  | S&P           | A                  | B          | BB+ <sup>4</sup> | BB+        |
|     |          |    | Colorado Educational and Cultural Facilities Authority             |        |       |            |        | 7,275           | Sincora/Moral Obligation                               | Fitch MDY S&P | AAA                | NR         | WDN              | NR         |
|     |          |    | Colorado Educational and Cultural Facilities Authority             |        |       |            |        | 9,700           | Zions First National                                   | MDY           | A2                 | NR         | WDN (7/07)       | NR         |
|     |          |    | Colorado Educational and Cultural Facilities Authority             |        |       |            |        | 20,525          | Sincora/Moral Obligation                               | Fitch MDY S&P | AAA                | NR         | WDN              | NR         |
|     |          |    | Bay County, FL   |        |       |            |        | 11,600          | Columbus Bank & Trust Co                               | S&P           | A+                 | NR         | BB+              | NR         |

## RATED CHARTER SCHOOL BOND ISSUANCE THROUGH 12/31/09

| Dated Date | State    | Issuer | School   | \$ Par Millions | Credit Enhancement                          | Rating Agency       | Rating at Issuance |                  | Current Rating                |                        |
|------------|----------|--------|--|-----------------|---|---------------------|--------------------|------------------|-------------------------------|------------------------|
|            |          |        |  |                 |   |                     | Enhanced           | Unenhanced       | Enhanced                      | Unenhanced             |
| 122        | 05/15/04 | CO     | Colorado Educational and Cultural Facilities Authority | 8.195           | Syncora/<br>Moral Obligation                | Fitch<br>MDY<br>S&P | AAA<br>Aaa<br>AAA  | NR<br>NR<br>BBB- | WDN<br>WDN (6/08)<br>A        | NR<br>NR<br>BBB-       |
| 123        | 05/01/04 | CO     | Colorado Educational and Cultural Facilities Authority | 20.765          | Syncora/<br>Moral Obligation                | Fitch<br>MDY<br>S&P | AAA<br>Aaa<br>AAA  | NR<br>NR<br>BBB- | WDN<br>WDN (6/08)<br>A        | NR<br>NR<br>WDN (6/07) |
| 124        | 04/15/04 | CO     | Colorado Educational and Cultural Facilities Authority | 23.300          | Syncora/<br>Moral Obligation                | Fitch<br>MDY<br>S&P | AAA<br>Aaa<br>AAA  | NR<br>NR<br>BBB  | WDN<br>WDN (6/08)<br>A        | NR<br>NR<br>BBB        |
| 125        | 04/08/04 | AZ     | Pima County Industrial Development Authority           | 5.620           | Unenhanced                                  | MDY                 | Na                 | Baa3             | Na                            | Baa3                   |
| 126        | 03/25/04 | CO     | Colorado Educational and Cultural Facilities Authority | 4.805           | Syncora/<br>Moral Obligation                | MDY<br>S&P          | Aaa<br>AAA         | NR<br>BBB        | WDN (6/08)<br>A               | NR<br>WDN (5/09)       |
| 127        | 03/09/04 | AZ     | Pima County Industrial Development Authority           | 6.735           | Unenhanced                                  | MDY                 | Na                 | Baa3             | Na                            | Baa3                   |
| 128        | 03/04/04 | AZ     | Pima County Industrial Development Authority           | 12.495          | Unenhanced                                  | S&P                 | Na                 | BBB-             | Na                            | BBB-                   |
| 129        | 03/04/04 | TX     | Heart of Texas Education Finance Corporation           | 4.450           | ACA Financial                               | S&P                 | A                  | NR               | WDN (2/10)                    | NR                     |
| 130        | 01/30/04 | CO     | Colorado Educational and Cultural Facilities Authority | 6.950           | Zions First National                        | MDY                 | A2                 | NR               | WDN (10/07)                   | NR                     |
| 131        | 12/30/03 | MA     | Massachusetts Development Finance Agency               | 7.100           | Fleet Bank NA                               | S&P                 | A+                 | NR               | A+                            | NR                     |
| 132        | 12/15/03 | CO     | Colorado Educational and Cultural Facilities Authority | 7.190           | Syncora/<br>Moral Obligation                | MDY<br>S&P          | Aaa<br>AAA         | NR<br>BBB-       | WDN (6/08)<br>A               | NR<br>BBB-             |
| 133        | 11/01/03 | DC     | District of Columbia                                   | 44.880          | ACA Financial                               | S&P                 | A                  | BBB              | BBB <sup>4</sup>              | BBB                    |
| 134        | 10/02/03 | NJ     | Delaware River Port Authority, PA                      | 8.500           | Rutgers University<br>Guaranty <sup>7</sup> | MDY                 | Aa3                | NR               | Aa3                           | NR                     |
| 135        | 10/01/03 | CO     | Colorado Educational and Cultural Facilities Authority | 22.305          | Syncora/<br>Moral Obligation                | Fitch<br>MDY<br>S&P | AAA<br>Aaa<br>AAA  | NR<br>NR<br>BBB  | A<br>WDN (6/08)<br>A          | NR<br>NR<br>BBB        |
| 136        | 10/01/03 | CO     | Colorado Educational and Cultural Facilities Authority | 39.595          | Syncora/<br>Moral Obligation                | MDY<br>S&P          | Aaa<br>AAA         | NR<br>BBB        | WDN (6/08)<br>A               | NR<br>BBB              |
| 137        | 09/16/03 | IL     | Illinois Development Finance Authority                 | 5.000           | Harris NA                                   | MDY                 | Aa3                | NR               | A1                            | NR                     |
| 138        | 08/26/03 | AZ     | Pima County Industrial Development Authority           | 10.970          | ACA Financial                               | S&P                 | A                  | NR               | WDN (1/08)                    | NR                     |
| 139        | 06/26/03 | AZ     | Pima County Industrial Development Authority           | 12.945          | Unenhanced                                  | S&P                 | Na                 | BBB-             | Na                            | BB                     |
| 140        | 05/22/03 | CO     | Colorado Educational and Cultural Facilities Authority | 5.525           | Unenhanced                                  | S&P                 | Na                 | BBB-             | Na                            | BBB-                   |
| 141        | 12/01/02 | AZ     | Pima County Industrial Development Authority           | 4.625           | Unenhanced                                  | MDY                 | Na                 | Baa3             | Na                            | Baa3                   |
| 142        | 11/15/02 | MO     | Missouri Health and Educational Facilities Authority   | 6.130           | ACA Financial                               | Fitch<br>S&P        | A<br>A             | BB<br>NR         | BB <sup>4</sup><br>WDN (1/08) | BB<br>NR               |

## RATED CHARTER SCHOOL BOND ISSUANCE THROUGH 12/31/09

| 143 | 11/01/02 | CO  | Colorado Educational and Cultural Facilities Authority | Stargate Charter School   | 6.795  | Unenhanced       | S&P           | Rating at Issuance |            | Current Rating |                        |
|-----|----------|-----|--|---|--------|------------------|---------------|--------------------|------------|----------------|------------------------|
|     |          |     |  |   |        |                  |               | Enhanced           | Unenhanced | Enhanced       | Unenhanced             |
| 144 | 07/03/02 | AZ  | Pima County Industrial Development Authority           | Pima County IDA Pool (Series E&F) (Ball-Dobson, New School for Arts, Valley Academy)  | 9.555  | Unenhanced       | MDY           | Na                 | Baa3       | Na             | Baa3                   |
| 145 | 06/15/02 | PA  | Philadelphia Authority for Industrial Development      | Community Academy of Philadelphia   | 13.795 | ACA Financial    | S&P           | A                  | NR         | WDN (1/08)     | NR                     |
| 146 | 06/01/02 | ID  | Idaho Housing and Finance Association                  | Nampa Charter School  | 2.485  | Wells Fargo Bank | MDY           | Aa1                | NR         | WDN (6/03)     | NR                     |
| 147 | 06/01/02 | IL  | Illinois Development Finance Authority                 | Chicago Charter School Foundation (Chicago International Charter School Basil)  | 16.050 | Unenhanced       | S&P           | Na                 | BBB        | Na             | WDN (7/09)             |
| 148 | 03/15/02 | CO  | Colorado Educational and Cultural Facilities Authority | DCS Montessori Charter School   | 9.795  | Unenhanced       | S&P           | Na                 | BBB        | Na             | BBB                    |
| 149 | 03/01/02 | CO  | Colorado Educational and Cultural Facilities Authority | Platte River Academy  | 6.875  | Unenhanced       | Fitch MDY     | Na                 | BB+        | Na             | WDN (10/05)            |
| 150 | 02/15/02 | TX  | Denbury Higher Education Authority, Inc.               | George Gerwin Academy   | 5.145  | ACA Financial    | S&P           | A                  | NR         | WDN (1/08)     | NR                     |
| 151 | 02/01/02 | FL  | Osceola County Industrial Development Authority        | Canoe Creek Charter School  | 9.860  | National         | Fitch MDY S&P | AAA Aaa AAA        | NR NR NR   | WDN Baa1 A     | NR NR NR               |
| 152 | 01/15/02 | CO  | Colorado Educational and Cultural Facilities Authority | Littleton Academy Charter School  | 4.450  | Unenhanced       | S&P           | Na                 | BBB        | Na             | BBB                    |
| 153 | 01/15/02 | CO  | Colorado Educational and Cultural Facilities Authority | Collegiate Academy of Colorado  | 6.780  | Unenhanced       | MDY           | Na                 | Ba1        | Na             | WDN (5/04)             |
| 154 | 12/01/01 | AZ  | Pima County Industrial Development Authority           | Pima County IDA Pool (Series C&D) (Hearn, Dobson, Paramount Education Studies Academy with Community Partners-Arizona, Stepping Stones Academy) | 18.725 | Unenhanced       | MDY           | Na                 | Baa3       | Na             | Baa3                   |
| 155 | 12/01/01 | CO  | Colorado Educational and Cultural Facilities Authority | Pinnacle Charter School   | 12.355 | Unenhanced       | MDY S&P       | Na                 | Baa3 BBB   | Na             | WDN (2/04) WDN (11/03) |
| 156 | 10/01/01 | CO  | Colorado Educational and Cultural Facilities Authority | Frontier Academy  | 15.830 | Unenhanced       | MDY           | Na                 | Ba1        | Na             | WDN (3/07)             |
| 157 | 09/15/01 | CO  | Colorado Educational and Cultural Facilities Authority | University Lab School   | 17.630 | Unenhanced       | MDY           | Na                 | Baa2       | Na             | WDN (5/04)             |
| 158 | 08/15/01 | CO  | Colorado Educational and Cultural Facilities Authority | Peak to Peak Charter School   | 18.800 | Unenhanced       | MDY           | Na                 | Ba2        | Na             | WDN (5/04)             |
| 159 | 06/07/01 | CO  | Colorado Educational and Cultural Facilities Authority | Cherry Creek Academy  | 4.155  | Unenhanced       | MDY           | Na                 | Baa2       | Na             | Baa2                   |
| 160 | 05/16/01 | MI  | Michigan Municipal Bond Authority                      | Detroit Academy of Arts & Sciences, YMCA Service Learning Academy   | 43.000 | Unenhanced       | MDY           | Na                 | Ba1        | Na             | Ba1                    |
| 161 | 05/01/01 | AZ  | Pima County Industrial Development Authority           | Pima County IDA Pool (Series A&B) (Young Scholars Academy, International Studies Academy, Kingman Academy Learning )                            | 15.395 | Unenhanced       | MDY           | Na                 | Baa3       | Na             | Baa3                   |
| 162 | 05/01/01 | MIN | Housing and Redevelopment Authority of St. Paul, MN    | Community of Peace Academy  | 11.045 | Unenhanced       | MDY           | Na                 | Baa3       | Na             | WDN (5/07)             |
| 163 | 01/01/01 | MI  | Summit Academy North                                   | Summit Academy North  | 8.955  | Unenhanced       | MDY           | Na                 | Baa3       | Na             | WDN (6/06)             |
| 164 | 11/28/00 | CO  | Colorado Educational and Cultural Facilities Authority | Classical Academy   | 19.600 | Unenhanced       | MDY           | Na                 | Baa3       | Na             | WDN (2/04)             |
| 165 | 11/01/00 | CO  | Colorado Educational and Cultural Facilities Authority | Academy Charter School  | 7.560  | Unenhanced       | S&P           | Na                 | BBB        | Na             | WDN (2/09)             |

## RATED CHARTER SCHOOL BOND ISSUANCE THROUGH 12/31/09

| Dated Date   | State    | Issuer | School   | \$ Par Millions  | Credit Enhancement | Rating Agency | Rating at Issuance |            | Current Rating  |                |
|--------------|----------|--------|--|------------------|--------------------|---------------|--------------------|------------|-----------------|----------------|
|              |          |        |  |                  |                    |               | Enhanced           | Unenhanced | Enhanced        | Unenhanced     |
| 166          | 10/01/00 | CO     | Colorado Educational and Cultural Facilities Authority | 12,955           | Unenhanced         | Fitch MDY     | Na                 | BBB-Baa3   | Na              | WDN WDN (7/06) |
| 167          | 09/29/00 | AZ     | Maricopa County Industrial Development Authority       | 29,590           | ACA Financial      | S&P           | A                  | NR         | WDN (6/07)      | NR             |
| 168          | 08/15/00 | FL     | City of Tallahassee                                    | 23,330           | National           | MDY           | Aaa                | A3         | A3 <sup>4</sup> | A3             |
| 169          | 06/01/00 | MI     | Sankofa Shule  | 2,555            | Unenhanced         | MDY           | Na                 | Ba1        | Na              | WDN (11/09)    |
| 170          | 03/01/00 | AZ     | Maricopa County Industrial Development Authority       | 28,965           | Unenhanced         | MDY           | Na                 | Baa3       | Na              | B1             |
| 171          | 02/01/00 | FL     | School Board of Osceola County, FL                     | 17,080           | National           | Fitch MDY     | AAA Aaa            | NR         | WDN Baa1        | NR             |
| 172          | 02/01/00 | MI     | Black River Public School                              | 5,770            | Unenhanced         | MDY           | Na                 | Baa3       | Na              | WDN (3/07)     |
| 173          | 01/01/00 | TX     | Fate, TX Higher Education Facilities Corporation       | 6,000            | Unenhanced         | MDY           | Na                 | Baa3       | Na              | WDN (11/09)    |
| 174          | 11/03/99 | CO     | Colorado Educational and Cultural Facilities Authority | 3,330            | Unenhanced         | S&P           | Na                 | BBB        | Na              | WDN (9/06)     |
| 175          | 10/01/99 | CO     | Colorado Educational and Cultural Facilities Authority | 2,600            | Unenhanced         | S&P           | Na                 | BBB-       | Na              | BBB-           |
| 176          | 09/29/99 | CO     | Colorado Educational and Cultural Facilities Authority | 3,690            | Unenhanced         | S&P           | Na                 | BBB-       | Na              | WDN (2/09)     |
| <b>TOTAL</b> |          |        |  | <b>2,424,670</b> |                    |               |                    |            |                 |                |

A downloadable spreadsheet is available at <http://www.lisc.org/efrc/2010Landscape>.

**General Methodology & Terminology**

- Issues are arranged in chronological descending order.
- Par amounts include both taxable and tax-exempt portions of an issuance, as applicable.
- For the purposes of this study, an "enhanced" rating is a rating stemming from additional credit enhancement or some other security pledge in addition to the revenues from the charter school itself. An "unenanced" rating is an underlying rating of the charter school rather than that of any other security which may be considered as part of the issue. For example, many Colorado issuances have three ratings: an enhanced rating provided by the credit strength of the insurer; an underlying rating for the issue provided by the State's moral obligation pledge; and an underlying rating for the individual school. The "unenanced" ratings included in this listing are the underlying ratings for the school.
- "Fitch" is Fitch Ratings; "Moody" is Moody's Investor Services; "S&P" is Standard & Poor's.
- "Current Ratings" are those as of March 12, 2010.
- "N/A" means not applicable and applies to bond issues which did not have credit enhancement and thus do not have an enhanced rating.
- "NR" means not rated and generally applies to the underlying credit for the school. It is also used in instances where a rating agency did not rate the credit enhancement vehicle.
- "WDN" means the rating has been withdrawn. The dates on which Fitch has withdrawn its ratings are unavailable and are not included in this listing.
- National Finance Guarantee Corp. was formerly MBIA Insurance Corp. of Illinois and is listed here as "National."
- Syncora Guarantee Inc. was formerly XL Capital Assurance Inc. and is listed here as "Syncora."

**Notes**

- <sup>1</sup> This credit enhancement consists of a \$20 million partial guaranty of principal and interest provided by PHLO Houston, LLC.
- <sup>2</sup> Since this is a general obligation of the school district on behalf of the charter school, Moody's and S&P's "underlying" ratings of "A1" and "A+", respectively, are based on the school district's credit strength rather than that of the charter school. Thus, for these purposes, there is no unenhanced rating.
- <sup>3</sup> This rating is shown here as withdrawn; however, the rating for the bonds is "AAA" on S&P's website because the bonds have been escrowed to maturity, and the investments held in escrow have been assigned a "AAA" rating.
- <sup>4</sup> The underlying school rating is higher than the rating of the enhancement vehicle; thus, the underlying rating is also listed as the enhanced rating.
- <sup>5</sup> Since this is a lease obligation of the school district on behalf of the charter school, Moody's "underlying" rating of "A2" is based on the school district's credit strength rather than that of the charter school. Thus, for these purposes, there is no unenhanced rating. The school district's rating is higher than that of the insurer and is listed as the current enhanced rating.
- <sup>6</sup> Since this is a lease obligation of the school district on behalf of the charter school, Moody's "underlying" rating of "A3" is based on the school district's credit strength rather than that of the charter school. Thus, for these purposes, there is no unenhanced rating. Moody's rating for the school district is higher than its rating for the insurer and is listed as the current enhanced rating.
- <sup>7</sup> This credit enhancement consists of a guaranty provided by Rutgers University for the charter school.

**LONG-TERM MUNICIPAL BOND RATING SCALES**

| Rating Description   | Fitch Ratings        | Moody's Investor Services | Standard & Poor's |
|--|----------------------|---------------------------|-------------------|
|  | INVESTMENT GRADE     |                           |                   |
| Highest Quality<br>Minimal Risk                                | AAA                  | Aaa                       | AAA               |
| High Quality<br>Very Low Risk                                  | AA+                  | Aa1                       | AA+               |
|  | AA                   | Aa2                       | AA                |
|  | AA-                  | Aa3                       | AA-               |
| Upper Medium Grade Quality<br>Low Risk                         | A+                   | A1                        | A+                |
|  | A                    | A2                        | A                 |
|  | A-                   | A3                        | A-                |
| Lower Medium Grade Quality<br>Some Speculative Characteristics | BBB+                 | Baa1                      | BBB+              |
|  | BBB                  | Baa2                      | BBB               |
|  | BBB-                 | Baa3                      | BBB-              |
|  | NON-INVESTMENT GRADE |                           |                   |
| Speculative<br>Substantial Risk                                | BB+                  | Ba1                       | BB+               |
|  | BB                   | Ba2                       | BB                |
|  | BB-                  | Ba3                       | BB-               |
| Highly Speculative<br>High Risk                                | B+                   | B1                        | B+                |
|  | B                    | B2                        | B                 |
|  | B-                   | B3                        | B-                |
| Substantial Risks<br>In Poor Standing                          | CCC+                 | Caa1                      | CCC+              |
|  | CCC                  | Caa2                      | CCC               |
|  | CCC-                 | Caa3                      | CCC-              |
|  | CC                   | Ca                        | CC                |
|  | C                    | C                         | C                 |
| In Default   | DDD                  | Na                        | D                 |
|  | DD                   |                           |                   |
|  | D                    |                           |                   |



**June 2010**



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