Charter School Lenders' Coalition

November 7, 2017

Statement of the Charter School Lenders' Coalition Urging Tax Reform Bill to Include New Markets Tax Credit and Tax Exempt and Tax Credit Bonds.

The Charter School Lenders' Coalition (CSLC) is a collaboration of mission-driven, community development organizations which provide affordable, flexible capital for high quality charter schools to construct and develop charter school facilities in low-income communities. Collectively, we have provided over $2.5 billion in financing to support 202,000 seats in 1,460 high quality charter schools, while maintaining a loss rate of well less than 1%.

We are deeply concerned that the Tax Cuts and Jobs Act, H.R. 1, introduced by the House Ways & Means Committee, would eliminate the New Markets Tax Credit (NMTC) and tax exempt and tax credit bonds, critical federal capital sources for high quality charter schools.

The NMTC has been a critical tool for financing charter schools and other community facilities in low-income communities since its enactment in 2000. The NMTC enables community development entities (CDEs) to raise private capital to acquire, construct, renovate, or lease academic facilities in partnership with charter school operators, helping alleviate facilities financing difficulties which are particularly acute in schools serving low-income communities and children. **From CY 2003 – CY 2016, NMTC investments in charter schools totaled $1.99 billion, supporting academic space for 200 public charter schools and leveraging $3.21 billion in total project financing.** There is simply no other tool available to CSLC members as effective at combining public and private financing to support high quality charter schools. Its elimination by the Section 3406 of H.R. 1 is deeply troubling.

Sections 3601-3603 of H.R. 1 would also cut our charter school partners off from access to stable, affordable long term financing – and refinancing – in state and local bond markets.

- **Tax exempt bonds (Sec. 3601)**: Since 1998, hundreds of charter schools set up as 501(c)(3) organizations have accessed the tax-exempt bond market for billions of dollars in needed facilities funding. In recent years, approximately $1.5 to $2.5 billion in new facilities were financed using these bonds to obtain financing. The 501(c)(3) charter schools that our members partner with to develop quality buildings would lose access to this funding, driving up borrowing costs and potentially reducing access to funding altogether.

- **Refinancing of debt (Sec. 3602)**: H.R. 1 would prohibit all municipal borrowers (including charter schools) from advance refunding their debt at lower interest rates after December 31, 2017. This provision has significant impact for schools that might be able to refinance their existing bonds at lower rates in the future. A number of beneficial refinancing of charter school bonds have been accomplished in recent years given historically low interest rates, thereby saving schools millions of dollars that have been plowed back into the classroom.

- **Tax credit bonds (Sec. 3603):** A number of charter schools have taken advantage of tax credit bonds to assist with facilities funding because their CDFI and other community development partners have been able to provide charter schools in urban and rural locations with long term capital via tax credit structures.

Eliminating these provisions, if enacted, could prove devastating to charter schools and the school choice movement. Accordingly, we strongly urge Members of the House of Representatives to seek to remove them as H.R. 1 moves through the legislative process.