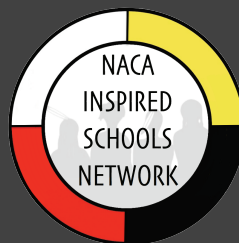




# NISN FACILITIES PROGRAM

## Facility Funding Sources



The contents of this Training Program were developed under a grant from the Department of Education's Charter Schools Program, CFDA # 84.282T, Award # U282T180018.

Image Credit: Native Blanket Fabric, Lena Valdez

A photograph showing a person's legs from the knees down, wearing bright red, knee-high boots with colorful floral embroidery. The person is standing on a stack of seven books. The books are stacked vertically, with titles visible on their spines: 'COLUMBUS | MARTIN DUGARD', 'THE AMERICAN IDEA', 'THE VOYAGE OF THE VIZCAINA', 'COLUMBUS', 'CONQUEST HUGH THOMAS', 'CORTES', and 'The Conquistadors'. The background shows a library setting with bookshelves filled with books and a window with a view of the outdoors.

## BACKGROUND

This slide set is part of a learning module for school leaders about different funding streams and types of funding to support facilities projects. For access to other resources and tools for funding facilities, visit the [Indigenous Resource Hub](#) and navigate to the Facilities topic area.



# FUNDING LANDSCAPE

# FACILITIES FUNDING CONTEXT

As explored in the following slides, the funding landscape for charter school facilities has a number of potential source types. For a major project, school leaders should be thinking about several types, what is most fitting for their age and capital needs, and how to braid these together to meet project costs.

# PUBLIC SECTOR CAPITAL FUNDING

At the federal level, there are grants, loans, and loan guarantees offered by federal agencies. Use the NISN Facilities Project Federal Funding Directory to research these opportunities.

## Charter Schools Program: Grants to Charter School Developers for the Opening of New Charter Schools

U.S. Department of Education, Office of Elementary and Secondary Education

Links: [Sam.gov listing](#); [U.S. Department of Education program page](#)

OPPORTUNITY AT-A-GLANCE	
<b>Summary:</b> Developer Grants provide funds for the opening of new charter schools and for the replication and expansion of existing charter schools.	
<b>Eligible Applicants</b> <input checked="" type="checkbox"/> Charter Schools <input type="checkbox"/> Local Governments <input checked="" type="checkbox"/> 501(c)(3) Nonprofits <input checked="" type="checkbox"/> School Districts <input type="checkbox"/> State Agencies <input type="checkbox"/> Tribal Governments <input type="checkbox"/> Tribal Organizations <input type="checkbox"/> Other:	<b>Funding Use Categories</b> <input checked="" type="checkbox"/> Construction <input checked="" type="checkbox"/> Energy or Utility <input checked="" type="checkbox"/> Equipment <input checked="" type="checkbox"/> General Operating <input checked="" type="checkbox"/> Infrastructure <input checked="" type="checkbox"/> Planning <input checked="" type="checkbox"/> Other: School expansion
<b>Type of Assistance</b> <input type="checkbox"/> Formula Funding <input checked="" type="checkbox"/> Grant / Cooperative Agreement <input type="checkbox"/> Loan Program / Debt Financing <input type="checkbox"/> Technical Assistance <input type="checkbox"/> Other:	<b>Award Details</b> Average award: \$225,000 per year in FY2022 Number of awards: 8-10 awards in FY2022 Cost share/matching required: No
<b>Application Timeframe</b> Most recent deadline: August 5, 2022 Expected Award Cycle: Annual	<b>Application Complexity</b> Complex federal application

### Assistance Listing

CFDA 84.282B

### Timeframe Details

Historically, applications have been available in the summer (July 6, 2022) with a late-summer deadline for submission (August 5, 2022).

### Summary

The Charter School Program Grants to Charter School Developers for the Opening of New Charter Schools fund charter school developers on a competitive basis to enable them to open new charter schools. Charter schools that receive financial assistance provide programs of elementary or secondary education, or both, and may also serve students in early childhood education programs or postsecondary students.

The FY2022 solicitation included one competitive preference priority, and one invitational priority. The competitive preference priority was Promoting High-Quality Educator- and Community-Centered Charter Schools to Support Underserved Students; the invitational priority was Collaborations between Charter Schools and Traditional Public Schools or Districts that Benefit Students and Families across Schools. Please review current solicitation for details.

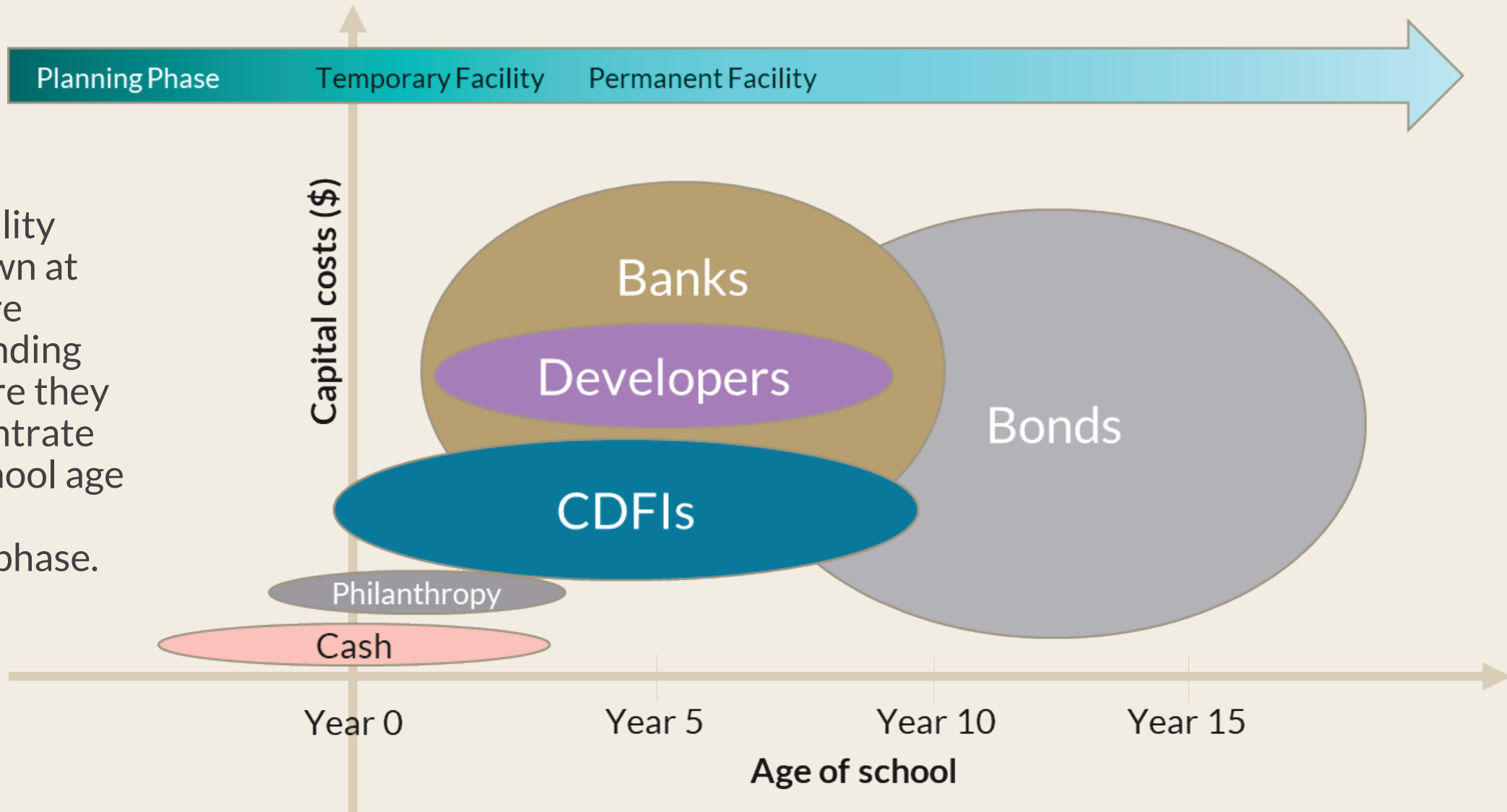
# PUBLIC SECTOR CAPITAL FUNDING

State, local, and tribal and governments may offer facilities grants, investments, and financing. Established programs for each state can be viewed in the NISN Facilities Project State Charter School Regulations and Resources directory.

State	2020 Charter Law State Rank (out of 45)	Estimated # Charter Schools (SY2018-19)	Estimated # Charter Students (SY2018-19)	Link to State Profile in NAPCS Law Database	NAPCS Description of Access to Capital Funds & Facilities	State agencies and programs supporting charters/school facilities [with links where available]
Alabama	5	2	598	<a href="https://www.publiccharters.org/our-work/charter-law-database/states/alabama">https://www.publiccharters.org/our-work/charter-law-database/states/alabama</a>	Alabama law allows for charter schools to be provided the same access as other public schools to the Public School and College Authority, which issues Capital Improvement Pool Bonds, as periodically designated by the Alabama Legislature, from which public school capital improvement projects are granted funding. The law provides that the PSCA and the department shall adopt and maintain a policy to ensure that public charter schools receive access to equitable facilities funding under the program. Projects funded in whole, or in part, by the Alabama Public School and College Authority involve co-ownership and possible divisions of funding and payments. Alabama law provides that a public charter school shall have a right of first refusal to purchase or lease at or below fair market value a closed or unused public school facility or property located in a school system from which it draws its students if the school system decides to sell or lease the public school facility or property. It defines an unused facility means a school building or other local board of education owned building that is or could be appropriate for school use, in which more than 60 percent of the building is not being used for direct student instruction or critical administration purposes and for which no offer to purchase has been executed. It requires the department to publish the names and addresses of unused facilities on its website in a list that is searchable at least by each facility's name and address. This list shall be updated at least once a year by May 1. Alabama law allows for charter schools to be included in issuance of Capital Improvement Pool Bonds, as periodically designated by the Alabama Legislature, through the Public School and College Authority.	- Public School and College Authority
Alaska	43	30	7,126	<a href="https://www.publiccharters.org/our-work/charter-law-database/states/alaska">https://www.publiccharters.org/our-work/charter-law-database/states/alaska</a>	<p>The charter school facilities construction, lease, and major maintenance grant program provides that this grant aid be based on a per-pupil funding formula, subject to legislative appropriation and available funding. Grant allocations cannot be less than \$1 per-pupil per year. The state is not currently funding this program.</p> <p>Alaska law requires school districts to direct a proportionate share to charter schools of state aid under the state's School Construction Grant Fund program for the construction, rehabilitation, and improvement of schools and education-related facilities and Major Maintenance Grant Fund program that is based on a per-pupil funding formula. The state is not currently funding these programs.</p> <p>Alaska law requires a school district to offer to a charter school the right of first refusal for a lease of space in an existing school district facility or in a facility within the school district that is not currently being used as a public school, if the chief school administrator determines the facility meets requirements for health and safety applicable to public buildings or other public schools in the district. If the school district requires lease payments by a charter school, the school district must negotiate a lease agreement with the charter school for an amount that does not exceed the true operational costs calculated on a square foot basis.</p> <p>Alaska law provides that charter schools are eligible through their local municipalities to access tax-exempt financing through the Alaska Municipal Bond Bank Authority.</p> <p>The law allows a municipality to classify and exempt or partially exempt from taxation all or a portion of privately owned real property rented or leased for use as a charter school.</p>	- Alaska Municipal Bond Bank Authority [https://treasury.dor.alaska.gov/ambba/]
					<p>Arizona law provides charter schools with a per pupil "equalization" allocation called "additional assistance" that may be used for facility operation and construction, among other things. Statute provides that this amount is for \$1,807 per K-8 pupil and \$2,106.03 per high school pupil.</p> <p>Arizona law creates a charter schools stimulus fund for the purpose of providing financial support to charter school applicants and charter schools for startup costs and costs associated with renovating or remodeling existing buildings and structures. The fund allows schools to receive up to two grants for up to \$100,000 for each grant. The state is not currently funding this program.</p> <p>Arizona law requires the state department of education, in conjunction with the state department of administration, to compile and publish an annual list of vacant and unused buildings or portions of buildings owned by the state or school districts that may be suitable for the operation of a charter school. However, nothing requires the owner to offer the right of first refusal to purchase or lease at or below fair market value to charter schools.</p>	

# PRIVATE SECTOR CAPITAL FUNDING

Private sector sources of facility funds are shown at right. These are mapped by funding level and where they tend to concentrate in terms of school age and facility development phase.





# GRANTS AS A FUNDING STREAM



# GRANTS AS A FUNDING STREAM

Grants are a common source of funding for charter school special projects and can play a role in facilities funding. Non-government grants are especially suitable for:

- Smaller capital projects (a lab, a building)
- Non-capital expenses (architectural planning, community engagement, etc.)
- Program equipment
- Built environment program construction (playgrounds, gardens, etc.)

Government grants can fund the above items in addition to larger and more costly projects.

# GRANTS AS A FUNDING STREAM

On the following slides, typical characteristics of different types of grantors are presented. Keep in mind these are generalizations and individual funders each have their own restrictions, priorities, and focus areas. Understanding these common trends can help school leaders research funders that are most likely to align with their project needs.

# COMMON GRANT FUNDERS TYPES

## Public Foundations

### Typical Facilities Support

Usually won't fund major brick-and-mortar capital. Likes to see clear linkages between project and its use and impact to community.

### Project Examples

- Greenhouse
- Transportation vouchers
- Equipment for food service
- Materials for student construction of traditional buildings on campus

### Typical Grant Proposal Review Process

Volunteer community panels



# COMMON GRANT FUNDERS TYPES

## Private Foundations

### Typical Facilities Support

May fund program focused facilities, specialized facilities, equipment, and planning. May have ability to donate land or building use. Often interested in facilities naming rights.

### Project Examples

- Solar panels
- Donation or free use of foundation property/building
- Construction grant to build a science lab

### Typical Grant Proposal Review Process

Staff recommendations and board/founder decisions



# COMMON GRANT FUNDER TYPES

## Corporations

### Typical Facilities Support

May consider smaller cost specialized facilities and projects. Often interested in employee volunteer tie-in or sponsorships/naming rights. May fund or donate equipment.

### Project Examples

- Community/school garden and landscape project
- Playground development
- Computers and IT equipment
- Sponsorship to create a community meeting room

### Typical Grant Proposal Review Process

Employee committee (often concentrated on a department or type)



# COMMON GRANT FUNDER TYPES

## Government Agencies

Typical Facilities Support	Programs may support land or building purchase / lease / construction, higher cost specialized facilities, transportation, nutrition, planning grants.
Project Examples	<ul style="list-style-type: none"><li>• Construction planning grant</li><li>• Transportation buses/vans</li><li>• Kitchen equipment</li><li>• Funding to construct or renovate school buildings</li><li>• Broadband infrastructure and tele-education system</li></ul>
Typical Grant Proposal Review Process	Volunteer expert panels, agency employees





# COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS

# WHAT IS A CDFI?

## Defining CDFIs

- Community Development Financial Institutions (CDFIs) are private sector lenders seeking to increase access to capital in underserved communities
  - ▶ Can be banks, credit unions, loan/microloan funds, venture capital providers
  - ▶ Can be for-profit or non-profit entities
- Certified by the CDFI Fund (US Dept of Treasury)



# WHAT IS A CDFI?

## CDFI Characteristics

- Raise public (federal and state program) and private (e.g., philanthropic, corporate) funds to finance loans and operations
- Products and services include loans (e.g., for small businesses, affordable housing, community facilities) and technical assistance (e.g., training programs)
- CDFIs tend to specialize on geographic region(s) and areas of impact/sector

# CDFI LANDSCAPE

## CDFI Landscape (7/2020)

- 1,129 certified CDFIs nationwide
- Of those, 68 are certified Native CDFIs working in Indian Country
- New Mexico



# CDFIs AND CHARTER SCHOOL FACILITIES

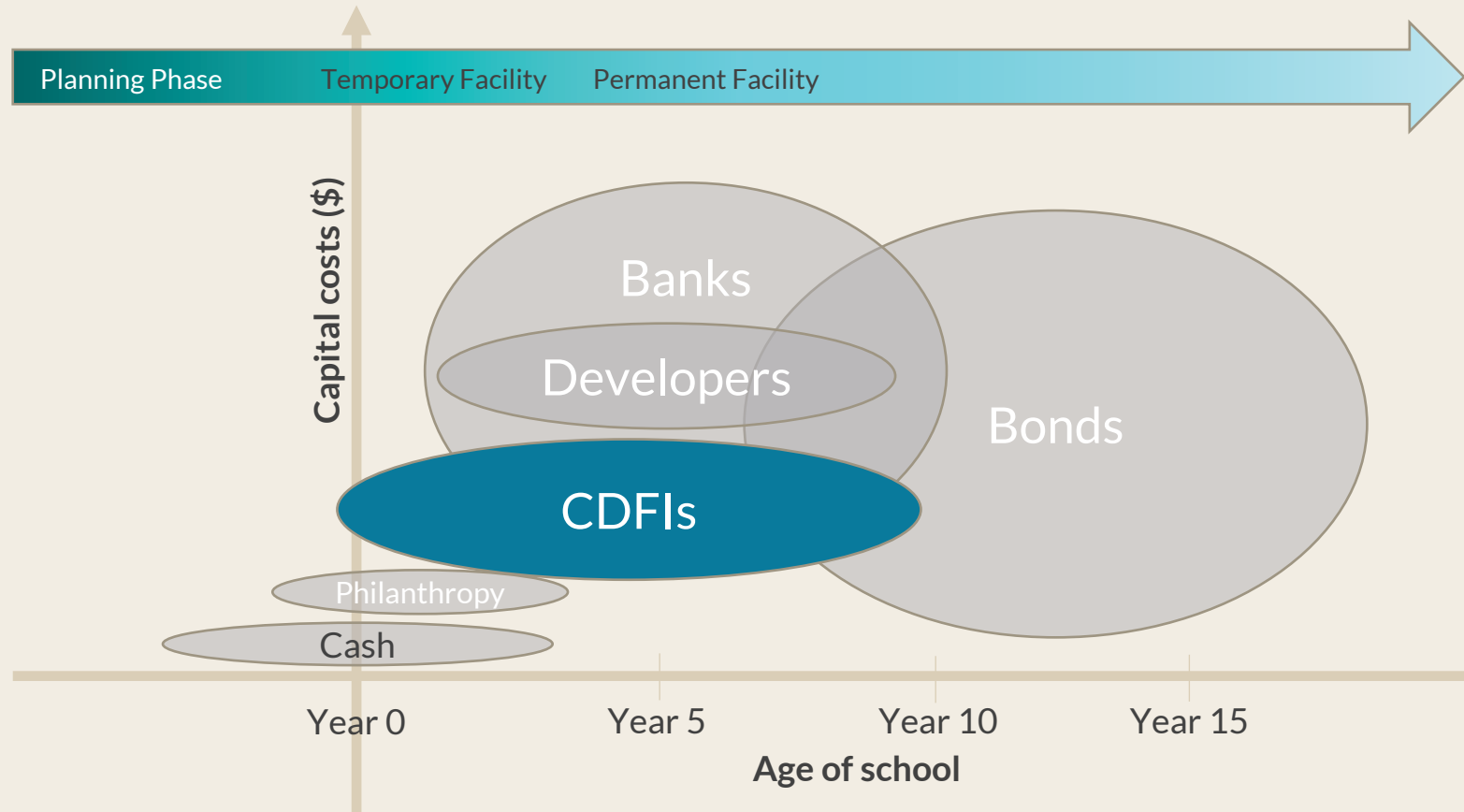
Within the last ~20 years, a number of CDFIs (~25) have funded charter school facilities and developed specialized expertise.

<a href="#"><u>BlueHub Capital</u></a>	Nationwide
<a href="#"><u>Building Hope</u></a>	Nationwide; facility and rural expertise
<a href="#"><u>Capital Impact Partners</u></a>	Nationwide
<a href="#"><u>Charter School Development Corporation</u></a>	Nationwide; facility focus
<a href="#"><u>Clearinghouse CDFI</u></a>	Nationwide; Indian Country focus
<a href="#"><u>Local Initiatives Support Corporation</u></a>	Nationwide; specialist in charter school facilities
<a href="#"><u>Non-Profit Finance Fund</u></a>	Nationwide
<a href="#"><u>Pacific Charter School Development</u></a>	Nationwide; facility focus
<a href="#"><u>Raza Development Fund</u></a>	Nationwide; facility and Southwest expertise
<a href="#"><u>Rural Community Assistance Corporation</u></a>	Western USA; rural and Indian Country expertise

# CDFIs & FACILITY CAPITAL RAISING

Mission-aligned lenders :

- May have appetite for earlier stage schools
- Have facility expertise
- Offer favorable terms relative to traditional lenders
- Are experienced co-investors/capital syndicators



# ADDITIONAL SECTOR RESOURCES



➤ Opportunity Finance Network – national association



➤ Native CDFI Network – national association for Native CDFIs



➤ LISC/SchoolBuild Service Provider Directory includes many specialized CDFI listings



BEYOND GRANT AND CDFI SOURCES:  
OTHER FUNDING OPPORTUNITIES TO  
EXPLORE FOR YOUR FACILITY

# GOVERNMENT DIRECT LOANS

Government direct loans are made to a non-profit or public applicant.

- Can often finance buildings, roads, community centers, vehicles.
- Government loans have low interest rates and beneficial terms, for example:
  - ▶ USDA Rural Development Community Facilities Program: 2% interest and up to 40 years
  - ▶ New Mexico Finance Authority: 0-4% interest with flexible terms



# LOAN GUARANTEES

Loan guarantees are not direct financing but rather a backstop reducing the risk for a separate lender.

- A lender will set-up a loan and another entity places a guarantee on that loan.
- In the case of a default, the guarantor is responsible for paying a % of the loan.
- USDA, state finance authorities, and others do this.
- A loan guarantee program will make a risky project's financing less risky.





# GENERAL OBLIGATION BONDS

General obligation (GO) bonds can fund roads, utilities, buildings, and other public infrastructure.

- Sold by the government (including tribes) to bond investors.
- The government pays the bonds back over time.
- 2%-6% are the typical rates; usually 10-year terms.
- Some governments are limited in the amount of bonds proposed.
- Local government often propose bonds to voters at least every year.

# LOANS VERSUS BONDS

Weight the details of options carefully. The example below compares a USDA Direct Loan versus typical bond terms.

## USDA Direct Loan

- \$2 million school construction
- 2% rate over 10 years
- No fees
- Annual payment: \$220,836
- \$208,322 in total interest payments
- Also offers 20-year term (\$121,404 payment annually) and 40-year term (\$72,672 annually)
- No pre-payment penalty!

## Bond

- \$2 million school construction
- 2.5%-3.5% rate over 10 years
- Fees: \$20,000 - \$200,000 (1%-10%)
- Annual Payment \$226,000-\$237,234
- \$262,477-\$373,000 in total interest payments

# TAXATION DISTRICTS

Tax Increment Districts are mechanisms to support economic development and job creation by providing gross receipts tax financing and property tax financing for public infrastructure.

➤ Can support buildings, roads, infrastructure, water systems

## Property Tax Districts Areas

➤ Hospital service area

➤ School or college service area

➤ Watershed

➤ County

➤ Economic area like a downtown district

# STATE CAPITAL OUTLAYS

- State capital improvement project funding is authorized by the legislature in many states
- It is usually one-time, nonrecurring funds
- Can come from different sources (e.g., GO bonds, tax bonds, general fund)
- Funds building, improving, and equipping physical property that will be used by the public, including schools
- May need to route through a government agency sponsor and administering agent (e.g., city, county, Indian Affairs Department, state Department of Education)

# PROGRAM RELATED INVESTMENTS

Program Related Investments or PRIs are ways for funders, like foundations, to invest in communities rather than keeping all of their endowed funds in investment portfolios.

- Primary reason must be accomplishing one of the foundation's tax-exempt purposes.
- Typically, these are low-interest or no interest loans or higher-risk equity investments.
- Recipients can be tax-exempt, businesses, individuals, or intermediaries.
- Example: The Ahmanson Foundation makes PRIs in the form of a low-interest loan to an organization that helps provide underserved students with the highest quality school facilities.