



## Charter Schools in Public Facilities

### *What is required?*

According to 22-8B-4.2 Subsection D new charter schools shall not open and an existing charter shall not be renewed unless meeting the following criteria.

- (1) The school is housed in a building that is:
  - a. Owned by the charter school, the school district, the state, an institution of the state, another political subdivision of the state, the federal government or one of its agencies or a tribal government; or
  - b. Subject to lease-purchase arrangement that has been entered into and approved; or
- (2) If it is not housed in a building described above demonstrates that:
  - a. The facility in which the charter school is housed meets the statewide adequacy standards developed pursuant to the PSCO Act and the owner of the facility is contractually obligated to maintain those standards at no additional cost to the charter school or the state: and
  - b. Either. 1) Public buildings are not available or adequate for the educational programs of the charter school: or 2) the owner of the facility is a nonprofit entity specifically organized for the purpose of providing the facility for the charter school.

### *How are we doing?*

Most charter schools in the state have met the requirements of the law through the following methods:

- Leasing privately owned buildings for which the landlord is contractually obligated to maintain to adequacy standards. This stipulation is included in the approved lease.
- Entering into approved lease-purchase arrangements.
- Housed in district or governmentally- owned facilities.

### *What challenges have charter schools encountered?*

- Charter schools are not allowed to acquire debt so they need to find other ways to borrow money to purchase property. The majority of them have established non-profit foundations that exist for the sole purpose of supporting the schools' capital needs.
- Banks have been hesitant to loan to charters for a variety of reasons: they have short term contracts from their authorizers; they have no way to raise a 20-30% down payment; they have a C or below letter grade on their school report cards.



- There are few public facilities available, especially in rural areas and there is no public data base of what *is* available for schools to access (for instance empty school or classroom space).
- When public space is not available, schools are forced to negotiate leases that include tenant improvements. Landlords are frequently reluctant to invest in these improvements with no guarantee that they will recoup their losses in 5 years. When they do agree to these terms, the leases are often extremely expensive.
- Charters have limited access to other sources of capital outlay.