Charter School Facilities Issues

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Charter Schools: Current Financing

State level:

- Formula based reimbursement
- Lease reimbursement from state

Private level:

- Partnership with nonprofits (foundations)

Charters Challenges: Facilities and Financing

- Securing long-term facilities
- Facility needs different than traditional schools
- Lack of funding options-access to capital funds
- HB 283
- Access to NMFA funds-difference between local and charter schools
- Shorter renewal terms after first renewal
- Current system does not allow for building an equity position

Charters Challenges: Facilities and Financing Options

I. **Lease**
   a) Public Sector (County, District, Federal, Tribal, University, etc.)
   b) Private (for profit, not for profit foundations)

II. **Purchase-Lease**
   a) Private
   b) Foundations
   c) Government
   d) Joint Powers Agreement

III. **Purchase (Finance)**
   a) NMFA
   b) Private Bonds
   c) District Bonds
   d) Municipalities Bonds
   e) JPA- Revenue Bonds

Charter Schools Building Acquisition: Option I:Lease

1. **Public Building**
   - Complies with HB 283
   - Not too many public buildings available
2. **Private Building**
   - More choices and availabilities than a public space
   - Starting July 1, 2015 school must comply HB 283
   - No equity built

Charter Schools Building Acquisition: Option II: Purchase-Lease

1. **Private**
   - Must comply with HB 283
   - Option as not too many public buildings available
   - If default, building goes to the private sector
2. **Foundations**
   - The “middle man”, inflated price
3. **Public/ Government**
   - Short supply of buildings
   - If default, building goes to the district or the PEC/PED
4. **Joint Powers Agreement (ACES)**
   - Best of both worlds(public and private)

Charter Schools Building Acquisition: Option III: Purchase/Finance

1. **NMFA**
    - Restrictive requirements to mitigate risk
    - Requires 20-25% down payment;
    - The rest (75-80%) loan to value increases the difficulty for charters to use this option
    - Different funding for traditional public schools (100%) and charters.

2. Bonds

i. Private

ii. District

iii. Municipalities

3. **JPA- Revenue Bonds**
    - Best of both worlds

Joint Powers Agreement and Charter School Facility Finance

ACES (Association for Charter Education Services) facilitates purchase of professional services, construction services and tangible personal property for local public bodies and state agencies, when so requested and in accordance with the requirements of the Procurement Code.

It can “acquire, lease and dispose of real and personal property”…

As a public entity, ACES can:

1. Purchase a facility and lease it to a Charter
2. Purchase a facility and enter into a lease-purchase agreement with a Charter

Joint Powers Agreement: Financial Solution

Power to Issue Revenue Bonds (11-1-7 NMSA 1978) to pay for the cost and expenses of acquiring or constructing any structures, facilities or equipment necessary;

This authority is subject to the provisions of the Joint Powers Agreements Act and the constitutional provisions of this state.

- Revenue bonds are secured by Lease Assistance Payments.
- Risk is that lease assistance payments could be eliminated or decreased.
- NMFA PPRF provides credit enhancement to Revenue Bonds-see DOE Credit Enhancement Program

JPA: What If…

In case the charter is revoked/ not renewed, JPA owns the building:

- Building can be re-leased to another charter
- Equity is increased
- Risk is distributed among all JPA members