



Charter School Facility Grant Program and Conduit Financing Program

The Programs Are Generally Achieving Their Purpose of Increasing Charter Schools' Access to Facility Funding

Background

The Facility Grant Program provides state funding to subsidize charter schools' facilities rent and lease costs at schools that enroll a sizeable percentage of students from low-income households. The Conduit Financing Program enables charter schools or entities working with them to obtain privately provided long-term financing for property acquisition and improvement. Some stakeholders were concerned that these two programs may be improperly benefiting some charter schools.

Key Findings

- Among the charter schools and their closely associated entities that we reviewed, we found that each entity had acted in alignment with each program's requirements in state law.
- The Legislature could adopt safeguards to better ensure that when a charter school whose facilities have had significant benefit from Facility Grant Program funds closes and is sold or leased that the facilities continue to be used for public education.
- The California School Finance Authority (CSFA) generally administers both programs in accordance with the state laws that created them, but it could improve its regulations and processes to ensure that rent and lease agreements are free from conflicts of interest and that applicants are not operating as or by for-profit organizations.

Key Recommendations

The Legislature should amend state law for the following purposes:

- Define the admissions priority that charter schools must give students from low-income areas to be eligible for Facility Grant Program funding and require the Office of the Attorney General to approve the sale or lease of a charter school facility if it benefited significantly from Facility Grant Program funds and paid rent to a closely associated entity.
- Clearly define the organizational types of charter schools and require them to respond to the California Department of Education's annual survey.

CSFA should do the following:

- Amend the definition of a related party in its regulations to include nonprofit CMOs and the subsidiaries of nonprofit charter schools and CMOs.
- Annually review a sample of applications to determine whether charter schools correctly reported that their lessors were not related.
- Require Facility Grant Program applicants to provide documentation that they are not operating as or by a for-profit organization and verify an applicant's compliance with this requirement.

The Facility Grant Program Provides Three Key Benefits to Charter Schools and Their Students

Makes More Funding Available for Students



Charter schools that receive Facility Grant Program funding rely less on other funding sources—such as state educational funding—to pay for their facility costs.

Correlates With Fewer Closures



The closure rate among Facility Grant Program recipients during our audit period was just over half that of other charter schools in California.

Addresses Classroom Space Needs



Twelve of the 20 Facility Grant Program recipients we reviewed were operating in areas where the State has identified a need for more classroom space.