

**December 21<sup>st</sup> Meeting**  
**Executive Order Topic 3: Improving the Design of the Formula**

**Charter School Housing**

- **Key Concept 1:** The state share of school construction projects is based on community wealth. In FY 2016, state reimbursement ranged from 35% (the state minimum) to 96.1% (Central Falls). By statute, the charter school construction state reimbursement is set at 30%. (Issue Brief 3)
- **Key Concept 2:** Charters cannot issue public bonds to finance construction. In lieu of this, they must engage in capital campaigns, use cash reserves, or enter into privately-financed debt to secure suitable school housing. (Issue Brief 3)
- **Key Concept 3:** A majority of states with charter laws provide the charter sector with at least two forms of support for housing from the following: (1) an annual set-aside for application-based aid and/or matching funds for construction/renovation; (2) right of first refusal/increased access to existing public facilities; (3) tax-exempt financing and/or bond application; and (4) per pupil facilities aid. (Issue Brief 3)
- **Key Concept 5:** The lengthy and demanding process for municipalities to publicly finance school construction projects includes securing RIDE, general assembly, and voter approval. Charters that privately finance construction projects have fewer hurdles. (Public comment)
- **Key Concept 6:** Charter schools are authorized on five-year terms, calling into question the security of a taxpayer-financed investment in schools without a secure long-term future. (Public comment)

**Discussion Notes**

Considerations to promote <b>fairness</b> in the way that the funding formula handles these issues	
Considerations to promote <b>equity</b> amongst student and school types in the way that the funding formula handles these issues	
Considerations that will help ensure all recommendations for revision are <b>grounded in data</b>	
Other Notes	

## **Issue Summary**

School housing costs are a complicated and important issue that affects both the deliberations of the funding formula working group and public education more generally. This issue includes two major components: (1) state support for school housing through state school construction aid; (2) the method by which traditional districts and public schools of choice pay for school housing.

In Rhode Island, land purchase, building renovation, and construction are typically funded through a combination of state construction funding (separate from the Funding Formula), local bond funding, and/or financial support from the city or town in which the school is located. Public charter schools cannot issue public bonds and (typically) do not have a city or town that provides financial support for the purchase, construction, or renovation of school housing.<sup>1</sup>

State school construction funding is allocated to districts based on a scale: wealthier communities are eligible for a lower state contribution and poorer communities are eligible for a higher state contribution. In FY 2016, these range from 35% to 96.1%. By statute, the charter school construction state reimbursement is set at 30%, below the district minimum of 35%.

## **National Practice and Examples**

A summary of state mechanisms for funding public school housing is complex and beyond the scope of this brief. However, national approaches to handling charter school housing merit summary. Across the nation, there are four primary ways that charter school housing costs are supported:

1. An Annual Set-Aside for Application-Based Aid and/or Matching Funds for Construction/Renovation
2. Right of First Refusal/Increased Access to Existing Public Facilities
3. Tax-Exempt Financing and/or Bond Application
4. Per Pupil Facilities Aid

The majority of states provide a combination of at least two of the forms of support listed above. Over 30 states with charter laws provide some form of financial support for the charter sector. 14 states provide no financial support for charter school housing.

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<sup>1</sup> While charter schools cannot issue public bonds, they have other methods of entering into similar long-term debt to fund facilities purchase, construction, and renovation.