

JANUARY 2019

Fairness in Facilities

Why Idaho Public Charter Schools Need More
Facilities Funding

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Foreword

By Terry Ryan and Marc Carignan

Idaho is one of the nation's fastest growing states. Many of our schools are overcrowded, and our student demographics are changing rapidly. The state's public charter school program is well-established thanks to 20 years of work by educators, community groups, parents, and students. Gem State charters are high performing and capable of adding more students. Idaho's families value public charter schools, staunchly support them, and want more of them for their children.

Bluum is organized to seek out, vet, and support innovative leaders and high-performing school models. Quality is our focus, because quality is what counts. We support promising public charter school models with technical assistance, grant funding, talent recruitment and development, and help securing facilities—anything it takes to provide more Idaho children with a world-class education.

Idaho's charter school sector has a great friend in the J.A. and Kathryn Albertson Family Foundation. The Foundation has invested close to \$18 million since 2013 to help open or expand 17 public charter schools across the state. Building on this success, in 2018 a consortium of public and private partners led by Bluum came together around Idaho's *Communities of Excellence* federal Charter School Program to win a \$17 million grant from the U.S. Department of Education. These resources will help Idaho communities launch nine new public charter schools and expand or replicate ten more over the next five years.

Charter schools in Idaho educate more than 23,000 of our public school children, and if all of these students were in a single school district it would be the state's third largest district after West Ada and Boise. It would also be one of the state's fastest growing public school districts. According to a recent report by *Idaho Ed News* there are currently more than 11,000 students on waitlists to get into an Idaho public charter school.

Yet, despite their successes, charter schools face the paradox of having to build schools with fewer public tax dollars and at higher financing costs. How can this be?

Unlike their public district school brethren, public charter schools do not have access to local property taxes or public tax levies. This lack of access to traditional local funding sources for charter school construction financing means charter schools are dependent on costlier private bond markets and/or traditional bank financing.

Public charter schools also receive less per pupil in taxpayer funding. On average charters in Idaho receive state funding of **just** \$445 per student, while public school districts on average receive \$1,206 per student in **both** state and local dollars. As a result of this squeeze, public charter schools pay higher interest rates and more fees than their district peers.

To document the financial challenges facing Idaho public charter schools, and to help us find ways to improve how charters finance facilities in the Gem State we engaged the research team at Bellwether Education Partners. In 2016, Bellwether issued *Building Excellence: How Helping Charters Access Facilities Can Improve Opportunity for Idaho Kids*. In that report, the crack research team at Bellwether surveyed 26 of the state's brick and mortar charter school leaders (which represented about 65 percent of the charters in Idaho). Fully half of the respondents "agreed or strongly agreed that they had to make 'substantial compromises to what we wanted' when securing a facility for their school."

Fast forward to 2018, and charter schools are still making compromises. In their new report, Bellwether highlights Future Public School in Garden City, which opened its doors in August of 2018. The school saved substantial expense by negotiating an agreement with the local Boys and Girls Club to share their gym and cafeteria spaces, which are vacant during the school day. The two organizations signed a 30-year joint-use agreement. The agreement provides Future Public School with exclusive access to the Boys and Girls Club during the school day, and the Boys and Girls Club with exclusive use of the school's learning spaces after school and during the summer.

Doing more with less is noble in public education. This is something quality public charter schools do well. It is also something, we readily admit, that cash-strapped rural and high-need schools across Idaho know all too well themselves. The fact is, it is well documented that all of public education in Idaho operates on leaner rations than do schools in most parts of the United States.

But, charters in Idaho face a special financial challenge when it comes to financing their facility costs. Bellwether documents that:

- In Boise, Future Public School's per-seat cost was half that of the least expensive elementary school built by the Boise Public School District (\$13,123 vs. \$26,751).
- In West Ada, Compass Charter School's per seat cost was 25 percent lower than the least expensive of West Ada's new construction projects (\$16,958 vs. \$23,958).
- In Middleton, Forge International's per-seat cost was half that of the Middleton School District's proposed new school (\$15,571 vs. \$31,580). It's per-square-foot costs were even lower (\$196 vs. \$316).

The researchers at Bellwether have done an outstanding job of documenting these challenges, and in offering up some recommendations for improvement. We are thankful to the Bellwether team, especially the top-flight analysts Kelly Robson, Juliet Squire, and Lynne Graziano, who led this important work. We are also thankful to both the charter school leaders and the district leaders who spoke with Bellwether for this report. We also want to thank the team at Building Hope for their input and for their ongoing support in trying to find facility solutions for our partner charter schools. None of this is easy, but a growing number of Idaho students and families are counting on us to help figure this out.

Executive Summary

Two years ago, we conducted a survey of Idaho’s charter school leaders to better understand their experiences acquiring facilities, the compromises they make, and the costs they incur to build, renovate, and maintain their school buildings. This updated analysis reveals a consistent theme: Charter school leaders continue to struggle to finance facilities for their schools.

District schools have access to four state and local funding streams to finance facilities, amounting to a per-pupil average of \$1,206. Charter schools have access to just \$445 in state funding for their facilities expenses.

Our analysis of recent district and charter school construction projects reveals that charter schools build and renovate facilities at per-square-foot costs comparable to district projects. But charter schools’ per-seat costs tend to be much lower than district schools’ per-seat costs. This is because charter school leaders are making trade-offs such as building smaller facilities, foregoing amenities like gymnasiums or cafeterias, and finding creative partnerships and arrangements to ensure their students have the educational programming they need and deserve.

But some school districts in Idaho also struggle to finance facilities projects. Districts that fail to pass bonds or levies face similar challenges to charter schools: the inability to finance school construction.

As Idaho's population continues to grow, public schools—both district and charter—will face increasing need to build high-quality facilities. Idaho's lawmakers can pursue a number of strategies to improve public schools' access to facilities funding. We recommend five in particular:

- 1 Improve data collection and transparency.** Idaho's lawmakers need to collect better data on the current status of all of Idaho's public school facilities to ensure they fully understand the scope of need and spectrum of potential solutions. Lawmakers ought to make these data transparent to improve the public's understanding of how their tax dollars are being spent.
- 2 Ensure state and local fees apply equally to all public schools.** Fees, such as impact fees assessed by city and county governmental entities on new construction, are not imposed equally on all public schools. While district schools have successfully gotten impact fees waived, charter schools must often pay hundreds of thousands of dollars, making it even more difficult for them to finance facilities. Lawmakers must ensure these and other fees apply equally to all public schools.
- 3 Increase the state's portion of public school facilities costs.** Charter schools statewide struggle to afford facilities. So, too, do some school districts where passing bonds or levies is a challenge. To alleviate the burden on all public schools, lawmakers should allocate additional dollars to existing facilities programs, including the Charter School Facilities Program for charter schools and the Public School Facilities Cooperative fund for public schools.
- 4 Adopt moral obligation bond financing for charter schools.** Moral obligation bonds, which are bonds backed by the state, can help high-performing charter schools access debt at low interest rates. Implementing a moral obligation bond financing program in Idaho would make financing for facilities more affordable and save taxpayer money.
- 5 Allow charter schools to be included in local school districts' bonds and levies.** The ability of traditional school districts to levy taxes and issue bonds puts them at a significant advantage over charter schools when it comes to financing facilities. Allowing or requiring school districts to account for charter schools' needs in their bond and levy requests would address this inequity and help charter schools access an additional and significant source of facilities funding.

Introduction

Two years ago, we conducted a survey of Idaho’s charter leaders to better understand their experiences acquiring facilities, the compromises they make, and the costs they incur to build, renovate, and maintain their school buildings. Now, we broaden this lens to include the facilities challenges that many districts also face and to learn from a cross-sector analysis.

In our 2016 report *Building Excellence: How Helping Charters Access Facilities Can Improve Opportunities for Idaho Kids*, we found that limited access to financing was one of the major barriers public charter school leaders face in securing a school facility. As a result, charters spend operational dollars on facilities expenses and too often operate in spaces that make it more challenging to offer the educational programming they envision or believe their students need.¹

But school facilities challenges are not exclusive to the charter sector. Every year, districts across Idaho ask taxpayers to approve multimillion-dollar bonds and levies to finance the construction and renovation of buildings to address issues like overcrowding, significant disrepair, or outdated utilities. The ability to go to taxpayers to pass a bond or levy is a significant benefit for Idaho school districts—one that public charter schools do not enjoy—but it does not guarantee they will get the funds they seek. In Idaho’s three most recent elections, for example, communities across the state voted on a total of nine bond issues and one plant facilities levy. Of those, just two bond issues and the levy passed.²

Limited access to financing is one of the major barriers public charter school leaders face in securing a facility.

Communities may reject school construction bonds for any number of reasons, ranging from struggling local economies to a lack of confidence in how the district plans to spend the funds. In any case, when districts fail to pass construction bonds, their leaders may find themselves in a similar predicament as charter schools: operating in subpar facilities that do not meet their students' needs.

Idaho policymakers need to address the facilities challenges facing its public schools, both district and charter, across the state. Our analysis of recent district and charter school construction projects surfaced three key themes:

- 1** Charter schools' facilities have similar per-square-foot costs, but lower per-seat costs due to compromises and creative shortcuts; conversely, district costs are higher.
- 2** Districts can have trouble passing bonds/levies due to the supermajority requirement, which demands more from district leaders to explain their requests to taxpayers and earn their support.
- 3** There are lessons and insights that districts and charters can learn from each other, but even with the best local practices, there is a larger role for the state to play in funding public school facilities.

There are a range of strategies that Idaho's lawmakers can pursue to improve public schools' access to facilities funding. First, the state should collect better data about school facilities statewide and share this data widely to both ensure transparency for communities and help school leaders make informed decisions throughout the construction process. Second, there are several programs already in place to provide public schools—charter and district—with state funds; expanding these programs to both increase the amount of funding available and the number of eligible schools would help ease the burden that many of Idaho's communities currently bear when it comes to financing facilities. Third, lawmakers can create new programs to help facilitate charter schools' access to the bond market. This is a powerful way for Idaho to leverage the best bond rates and ultimately save taxpayers dollars in interest payments to banks and lenders. Finally, policymakers can create ways for charter schools to access local bond and levy dollars collected by school districts.

This report aims to help policymakers assess the nature of the challenges that charter schools and district schools face in financing school facilities. We begin with an overview of the current status of public school facilities funding in Idaho. We then compare recent charter and district school facilities construction projects, highlighting key differences in cost and amenities. Next, we surface lessons learned from interviewing charter and district leaders about the facilities-related challenges they face. We conclude with key recommendations for Idaho's legislators to consider as they work to support schools in accessing high-quality facilities.

Current Landscape

As the state's investment in education rebounds and lawmakers work to improve how the state funds its public schools, facilities must be part of the equation

The challenges facing Idaho's public schools in acquiring facilities have been exacerbated in recent years by declining state investment in education following the 2008 recession³ and the state economy's relatively slow recovery.⁴ But Idaho is turning a corner. Fiscal year (FY) 2019 marks the first time in a decade that state education spending exceeds FY 2008 levels.⁵ At the same time, lawmakers have undertaken the arduous task of reworking the state's complex \$1.8 billion school budget formula to provide all public schools—district and charter—with funds based on student enrollment rather than line items.⁶ As the state's investment in education rebounds and lawmakers work to improve how the state funds its public schools, facilities must be part of the equation.

Moreover, it will become increasingly important to address facilities challenges efficiently and effectively in the coming years as Idaho's student population continues to expand. A December 2017 report from the U.S. Census Bureau found that Idaho is the nation's fastest-growing state, with a population increase of 2.2 percent between July 2016 and July 2017.⁷ Between fall 2000 and fall 2015, Idaho's public elementary and secondary school enrollment grew by 19 percent, and the National Center for Education Statistics projects an additional 6 percent increase by fall 2027.⁸

There is an opportunity—and a need—for Idaho's legislators to think differently and creatively about ensuring all of Idaho's students can attend school in a safe, high-quality facility that meets the needs of the growing student population, their families, and the larger community.

The State of Public School Facilities Funding

The funding mechanisms in place to support public schools in accessing funds for facilities are not equal across sectors.

This year more than 302,000 students are enrolled in one of Idaho's 686 district and 52 charter schools.⁹ The facilities in which these students attend school each day range widely, from brand-new, multimillion-dollar buildings to those built decades ago and suffering significant disrepair. Charter school students may find themselves in a renovated church building, a former shopping mall, or in a former district school building. Regardless of the sector, Idaho's public schools have one thing in common: the need for high-quality facilities in which to educate their students. Not all of Idaho's public schools have them.

Moreover, the funding mechanisms in place to support public schools in accessing funds for facilities are not equal across sectors. There are four funding streams through which school districts access funding for school construction projects. Of these four, only the smallest two are available to charter schools (see Table 1).

Table 1 > School District Facilities Funding Streams

Funding Stream	Description	Total Appropriation ¹⁰	Average Per-Pupil Amount ¹¹	Available to Charters?
Local Bonds and Levies	<p>Idaho law allows school districts to issue bonds and levy taxes to access additional funding.¹² Plant facilities levies and general obligation bonds allow districts to fund major capital projects.</p> <p>Plant facilities levies run for up to 10 years and are used to generate money for new school construction and renovation expenses. Local school districts collect the money on an annual basis after local taxes are assessed.¹³</p> <p>General obligation bonds function more like a loan, where districts get the entire amount up front and pay it back annually.</p>	\$293.8 million ¹⁴	\$1,048 ¹⁵	No
Bond Levy Equalization Program	Idaho allocates funds to help school districts make the interest payments on their bonds. ¹⁶ The amount that a district receives ranges from 10 to 100 percent of a district's obligation and is based on a formula accounting for the district's local economic conditions.	\$23.2 million	\$83	No
State Facilities Funding (Lottery Funds)	Idaho statute requires that the state lottery allocate three-eighths of its revenue to a school district building account. ¹⁷ The state then distributes these funds to school districts on a per-capita basis to offset facilities costs. ¹⁸	\$18.6 million	\$62	Yes ¹⁹
School Facilities Maintenance Match	Idaho law requires school districts and charter schools to allocate annually a minimum of 2 percent of each building's replacement cost to cover maintenance and repairs. ²⁰ The state provides districts a proportion of these funds, based on a calculation of each district's local economic conditions and the replacement value of the facilities. ²¹	\$3.9 million	\$13	Yes
Total		\$339.5 million	\$1,206	

The vast majority of district funding for construction projects comes from taxpayer-supported bonds and levies. In 2016-17, Idaho's school districts had access to an average of \$226 per pupil in revenue from bonds and levies specifically set aside for facilities costs, and an additional \$429 per student of "general" revenue that could be used to offset facilities costs for their existing set of buildings.²² In each of the last three years, districts have received, on average, an additional \$1,048 per student through new bonds and levies that will be used toward facilities costs.²³ These bond and levy funds, coupled with the funds from state programs, amount to an average of \$1,206 per student for facilities costs.

To support charter school facilities, in 2013, the Idaho legislature passed legislation allocating facilities funds to charter schools on a per-student basis. Table 2 below summarizes the facilities funding streams available to charter schools.

Table 2 > Charter School Facilities Funding Streams

Program Name	Description	Average Per-Pupil Amount ²⁴
Charter School Facilities Program	In 2013, the state passed legislation requiring the state department of education to distribute facilities funds to charter schools on a per-pupil basis.	\$370
State Facilities Funding (Lottery Funds)	Idaho statute requires that the state lottery allocate three-eighths of its revenue to a school district building account. ²⁵ The state then distributes these funds to school districts on a per-capita basis to offset facilities costs. ²⁶	\$62
School Facilities Maintenance Match	Idaho law requires school districts and charter schools to allocate annually a minimum of 2 percent of each building's replacement cost to cover maintenance and repairs. ²⁷ The state provides districts a proportion of these funds, based on a calculation of each district's local economic conditions and the replacement value of the facilities. ²⁸	\$13
Total		\$445

More must be done to support public schools in financing the school facilities their students need.

With an average of \$445 per pupil, charter schools receive approximately one-third the amount of taxpayer-supported funds for facilities that school districts receive. This means that charter schools often end up making trade-offs between spending on their facilities and other educational programming expenses. In Idaho, local foundations like the J.A. and Kathryn Albertson Family Foundation and nonprofits like Bluum and Building Hope have stepped in to fill some of the gap, but the gap remains. More must be done to support public schools in financing the school facilities their students need.

How Building Hope Helps Idaho's Charters Finance Facilities

Because charter school facility challenges are not unique to Idaho's charter sector, a number of organizations exist nationwide to support charter schools in accessing financing through other means. Building Hope is a nonprofit organization working with charter schools to finance, purchase, build, and/or renovate facilities. It opened its Idaho office in 2013.²⁹

A number of Idaho's high-performing charter schools rely heavily on Building Hope to access low-cost financing for their facilities. Charter schools can apply directly to Building Hope for financial support for their construction projects. Through a rigorous vetting process in partnership with the Boise-based nonprofit Bluum, Building Hope approves schools that demonstrate both high-quality academics and financial stability. Building Hope underwrites these loans with the help of funding from the J.A. and Kathryn Albertson Family Foundation.

Once a charter school's project has been approved, Building Hope provides a loan to the school of up to 35 percent of the total cost of the project, at a 3 percent interest rate. This cash helps encourage traditional financial institutions, like banks, to provide a loan for the remaining 65 percent at market rates. A typical deal is structured so that after five years the school will have paid down enough to have equity in the facility. The school then refinances its loan with the bank and uses the equity it has earned to pay back the portion of funds it borrowed from Building Hope. Building Hope recycles those funds into other school facility projects. A key benefit to this arrangement is that the charter schools themselves benefit from any increase in equity and property value rather than the lender (which is often the case when charter schools work with private financiers).

Comparing Recent Charter and District Construction Projects

Despite the challenges noted above, school districts and public charter schools throughout Idaho have found ways to build and renovate buildings to keep up with their growing student population. The following data provide comparisons of recent construction projects for charter schools and district schools in three Treasure Valley communities: Boise, Meridian (West Ada School District), and Middleton.

In Boise and West Ada (Idaho's two largest school districts), the data show that charter schools and district schools spend about the same per square foot on their new construction projects. The biggest differences are in the cost per seat, as charter schools' new facilities tend to have fewer square feet per student than district school facilities.

In Middleton, we compare a recently approved charter school construction project to a proposed district project that has yet to secure approval from taxpayers. The charter school construction is for a 40,000-square-foot new K-8 school, for 500 students, for a project cost of slightly less than \$7.8 million. In comparison, the district's proposed project is for a 75,000-square-foot new elementary school that will hold about 750 students, for a projected cost of \$23.7 million. Here, both the per-seat and per-square-foot costs for the district (\$31,580 and \$316, respectively) exceed those of the new local charter school (\$15,571 and \$195, respectively).

In 2017, the Boise School District passed a \$172.5 million bond to support 22 major capital projects, including rebuilding several schools.³⁰

Two major renovations that are currently underway are those at Timberline and Boise High Schools (see Table 3 below). At Timberline, the renovation addressed major and deferred maintenance issues and built an additional classroom wing, which opened in fall 2018. At Boise, the district is currently remodeling the old gymnasium, adding new music classrooms, and addressing major and deferred maintenance.³¹

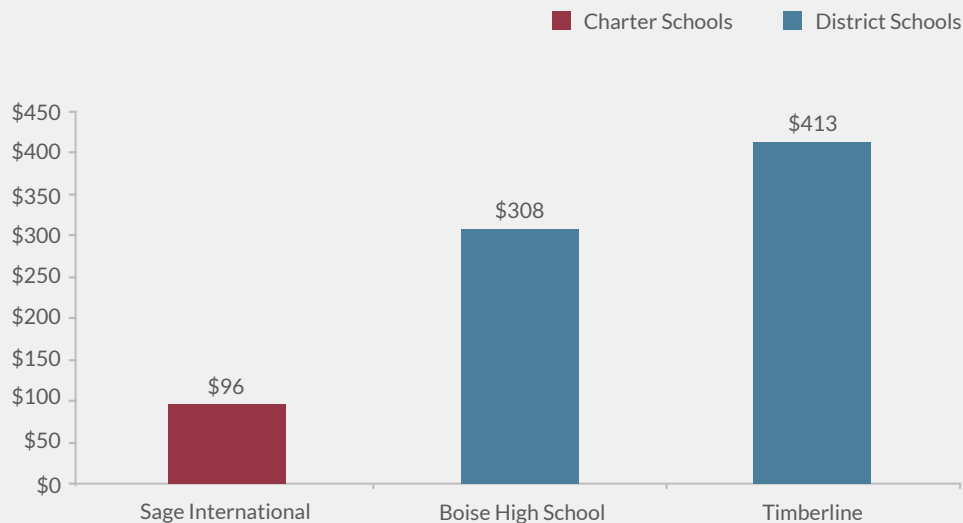
Sage International Charter School, also in Boise, is one of the largest charter schools in the state. In 2015, with the help of Building Hope, Bluum, and the J.A. and Kathryn Albertson Family Foundation, Sage was able to enter into a lease-purchase agreement for its site, which included eight acres of land and 130,000 square feet of building space (including the existing structure the school had been renting and the vacant strip mall next door). After completing renovations costing more than \$12 million, Sage opened its new, unified K-12 campus in fall 2016.³²

Table 3 Comparison of District and Charter Renovations in Boise

Building Name	Sector	Year Renovated	Square Footage Renovated	Total Cost
Sage International ³³	Charter	2016	130,000	\$12,500,000
Timberline High School ³⁴	District	2018	31,000	\$12,807,300
Boise High School ³⁵	District	2018	58,423	\$17,985,500

Figure 1

Cost per Square Foot, Boise Renovations and Additions



As Figure 1 above shows, the cost per square foot of the renovations to two Boise high schools is substantially more than the cost per square foot to renovate Sage International Charter School.

There are several factors that may account for these differences. First, when any work is done to decades-old buildings, they must be brought up to current standards for things like fire code and requirements for the Americans With Disabilities Act (ADA). Upgrades like adding a sprinkler system or an elevator to a facility built in the 1960s likely drives up the per-square-foot costs of these renovation projects.³⁶ Charter schools are held to the same building codes and requirements as district schools, but since Sage International's remodel included gutting the entire inside of the former strip mall, there was less retrofitting that needed to happen to bring the building up to code than what Boise's leaders encountered.

Second, the timing of Sage International's project likely played a role in the lower costs. They were building during the 2015-16 school year, in the middle of a recession.³⁷ Moreover, international tariffs had not yet driven up the prices of construction materials.³⁸

Finally, however, Sage International's school leaders made some concessions to their facility, the largest being the lack of a gym. While there is a small concrete and grass area on the campus, the school's physical education teachers frequently make use of local parks in the absence of dedicated gymnasium space.³⁹

It's more than likely that Sage International achieved some of the savings by making compromises to an important building amenity.

Available data do not allow us to determine exactly what proportion of cost differentials were due to existing building conditions or the economic context, but it's more than likely that Sage International achieved some of the savings by making compromises to an important building amenity.

The same trends that play out in renovation projects also play out with new school construction projects. Let's take a look at Boise, Meridian, and Middleton, where both district and charter schools have recently pursued new school construction.

Table 4 below compares data for two of Boise's new schools, Amity and Whittier Elementary Schools, and a local public charter school, Future Public School. The construction costs captured in Table 4 represent the total cost of construction and materials.

Both Amity and Whittier Elementary Schools were torn down and rebuilt on the same land already owned by the Boise School District, meaning that the district did not have to factor the cost of land into its budget. Future Public Schools, on the other hand, had to purchase land in addition to paying for the construction of its facility. The land purchase cost Future Public Schools an additional \$865,500, bringing the total project cost to nearly \$8.4 million. To provide a more direct comparison to district costs, the \$7.5 million reported in the table below represents the cost of the facility.

Table 4 > Comparison of District and Charter New Construction in Boise

Building Name	Sector	Year Built	Square Footage	Seat Capacity	Total Construction Cost
Future Public School ⁴⁰	Charter	2017	39,000	572	\$7,506,267
Amity Elementary ⁴¹	District	2018	66,969	518 ⁴²	\$13,856,920
Whittier Elementary ⁴³	District	2018	68,458	509 ⁴⁴	\$13,856,920

Future Public School opened in Boise as a public charter school in fall 2018. It built its facility from the ground up with the help of Building Hope. As Figures 2 and 3 below show, Future Public School's per-square-foot costs were slightly below those incurred by the Boise School District, and its per-seat costs are less than half that of the district's per-seat costs. This is primarily due to the smaller scale of Future Public School's facility. Despite its plans to serve more students than either of the Boise district's new schools, it is just 39,000 square feet compared to the more than 66,000 square feet each of Boise's two schools.

Figure 2 > Cost per Square Foot, Boise New Construction

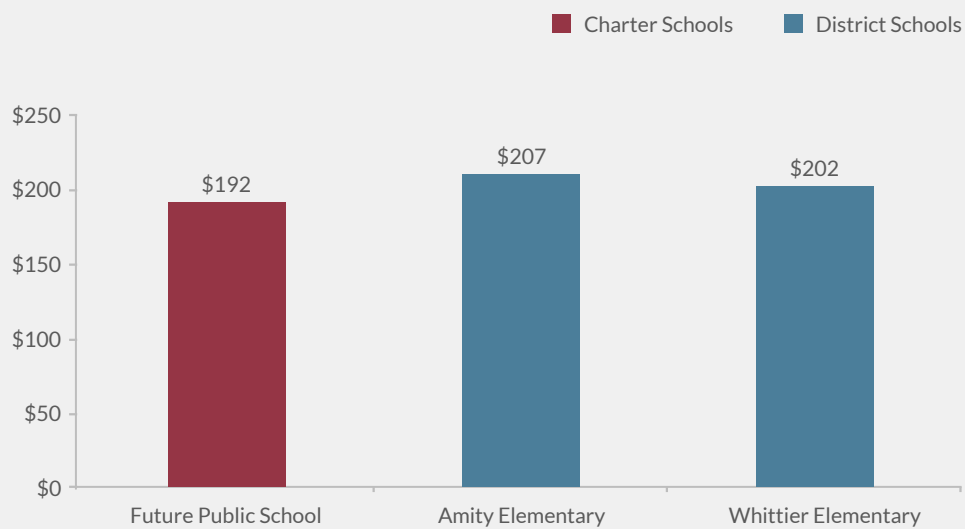
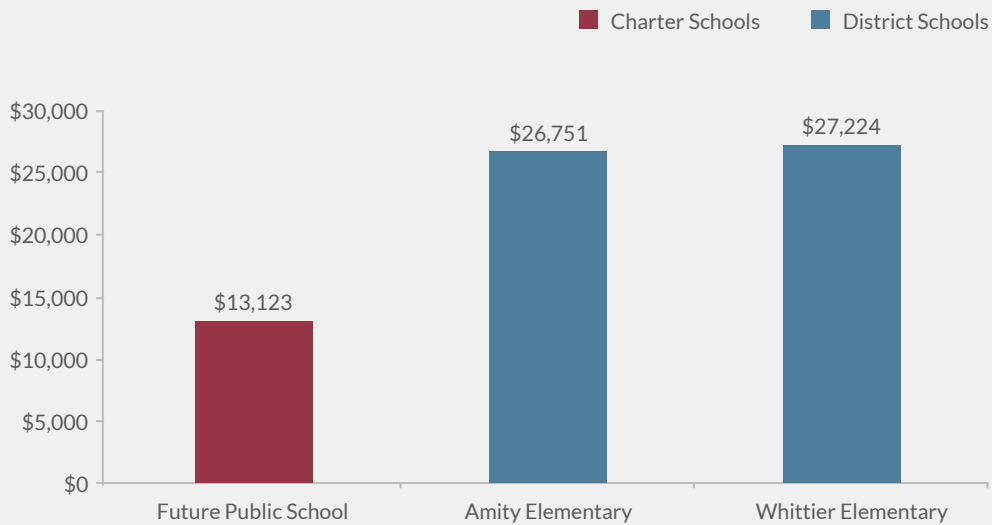


Figure 3 > Cost per Seat, Boise New Construction



The partnership that Future Public Schools forged with the local Boys & Girls Club makes it possible for the school to serve more students in a smaller space. Prior to receiving their charter from the state, Future Public School's leaders ran some pilot programs in the Boys & Girls Club. They knew that the organization's gym and cafeteria spaces were vacant during the school day. They also knew that the Boys & Girls Club was turning away kids after school and during the summer because they were at capacity. Future Public School's leaders bought land and built their facility adjacent to the Boys & Girls Club, and the two organizations signed a 30-year joint-use agreement. This agreement provides Future Public School with exclusive access to the Boys & Girls Club's gymnasium and cafeteria space during the school day, and the Boys & Girls Club with exclusive use of Future Public School's learning spaces after school and during the summer.⁴⁵

This agreement benefits both organizations. The Boys & Girls Club now has access to additional space that enables it to expand its programming. And by not building a gym or cafeteria, Future Public Schools was able to spend its limited resources funding on other elements important to the school's programming. Future Public School's classrooms, for example, are between 1,000 and 1,300 square feet—larger than the 900 square feet that is typical of district school classrooms.⁴⁶

In neighboring Meridian, Idaho, the West Ada School District is growing tremendously, averaging about 500 new students each year over the last decade.⁴⁷ To keep up with this growth, the district has passed two bonds in the last three years. In 2015, the district ran and passed a \$96 million bond that allowed it to build three new schools and remodel its high school. In March 2018, voters passed a \$95 million bond. The district plans to use these funds to build a new elementary school and a new high school and expand a number of existing schools.⁴⁸

Compass Charter School, also located in Meridian, has also had to expand several times to keep up with its growing student enrollment. The school’s enrollment has more than quadrupled since the school opened in 2005. To accommodate its growth, in 2018, Compass school leaders ran a \$12 million private bond to fund the construction of a new building, slated to open in fall 2019.⁴⁹ Table 5 summarizes the costs of these recent projects, again accounting only for construction costs and excluding any land purchases.

Table 5 Comparison of District and Charter New Construction in Meridian

Building Name	Sector	Year Built	Square Footage	Seat Capacity	Total Construction Cost
Compass Charter School ⁵⁰	Charter	Future	68,026	719	\$12,192,567
Hillsdale Elementary ⁵¹	District	2016	68,080	650	\$15,572,995
Pleasant View Elementary ⁵²	District	Future	65,000	650	\$16,000,000
Victory Middle School ⁵³	District	2016	138,206	1,000	\$24,340,851
Star Middle School ⁵⁴	District	2018	138,350	1,000	\$28,349,670
Owyhee High School ⁵⁵	District	Future	246,590	1800	\$60,000,000

At roughly \$17,000 per seat, Compass’ per-seat costs are about 25 percent lower than the district school with the next lowest per-student cost.

As Figures 4 and 5 demonstrate, Compass’ per-square-foot costs are below the per-square-foot costs at the majority of West Ada’s new schools. And at roughly \$17,000 per seat, Compass’ per-seat costs are about 25 percent lower than the district school with the next lowest per-student cost, Hillsdale Elementary. Material and time differences between the two schools account for some of those differences. (For example, Compass’ building will be wood-framed, while the district’s buildings will be framed with cinderblock. And Compass’ construction company is building the facility in about nine months, rather than one to two years, which cuts down on overall costs.⁵⁶)

Figure 4 Cost per Square Foot, West Ada New Construction

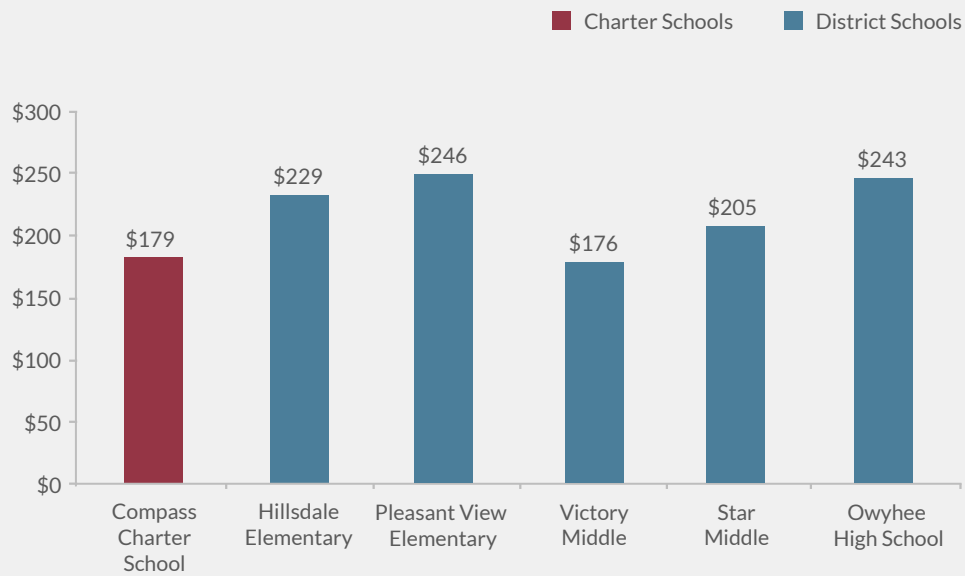
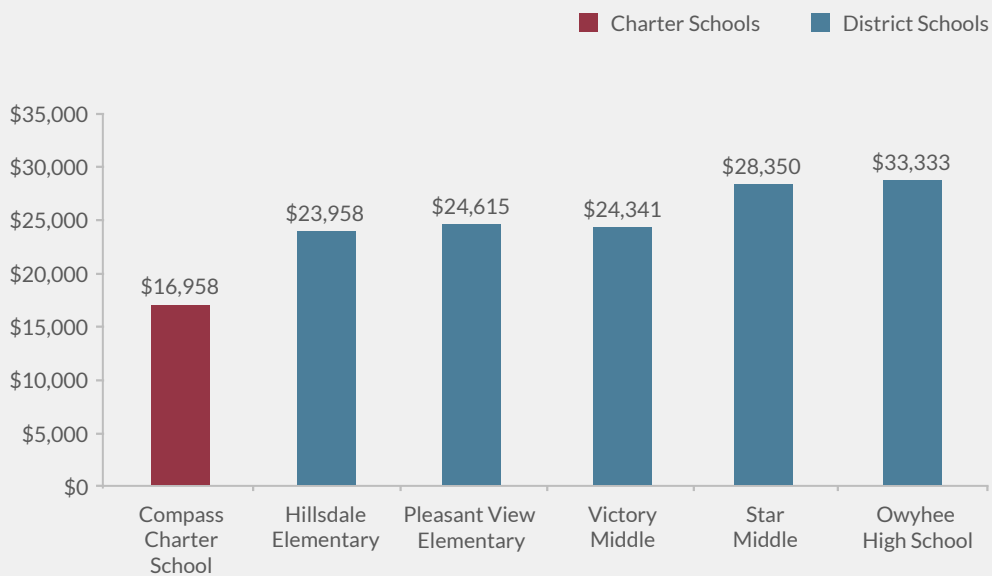


Figure 5 Cost per Seat, West Ada New Construction



Again, the charter school is making some significant compromises. While the original plans for Compass' school included a full gymnasium, fees totaling about \$600,000 to the City of Meridian and to the Ada County Highway District⁵⁷ (which the school district got waived) mean that Compass' gym will be framed, but not finished, in 2019. Completing the flooring and ensuring it is up to code for athletics will have to wait until the school can save or raise enough money to complete it.⁵⁸

About 25 miles west of Meridian and Boise, the Middleton School District has a very different story to tell. The district currently enrolls about 4,000 students, up from 2,900 a decade ago.⁵⁹ It anticipates adding another 1,000 students over the next five years.⁶⁰ To accommodate its growth, the district requested a \$30 million bond to build a new elementary school, renovate an existing elementary school and finance districtwide safety and security updates, and purchase property for future use.⁶¹ The bond failed to secure voter approval three times: in August 2017, in March 2018, and again in November 2018.⁶²

While the Middleton School District struggles to raise local funds for its new facilities, the city's first public charter school has managed to make more progress. Forge International Charter School, part of the Sage International Charter Schools Network, expects to open its doors for students in fall 2019. The school is currently in the process of building phase one of its facility, which will house up to 500 elementary and middle school students.⁶³ The second phase of construction will enable Forge to serve a total of 650 students in grades K-12. School leaders secured funding for the land purchase and construction costs with the help of Building Hope, which will own the facility and lease it to the school until the school

Sidebar 2

Some Idaho School Districts Struggle to Finance Facilities

Even with the ability to issue bonds and levy taxes to fund facilities, these local funds are not guaranteed. Public school districts are reliant on taxpayers to approve the measures.

Middleton is not the only district that has struggled to pass local bonds and levies to support school construction. The Idaho Falls School District #91, for example, has twice asked voters for the funds to upgrade its two high schools. A \$110 million bond issue failed in 2017.⁶⁴ A \$99 million bond issue failed in 2018. Community members have spoken out against the bond issues, calling them "expensive and wasteful."⁶⁵

The rural Wilder School District in western Idaho is also struggling to access the funds it needs to build a facility to house a new cafeteria and kitchen, and to upgrade an existing facility built in the 1940s. The current cafeteria is too small to accommodate the student enrollment; tight lunch rotations mean that students only have 10 minutes to eat. The bathroom facilities are also subpar, housing only a single stall for hundreds of students.⁶⁶ The district's \$5 million bond failed in August 2018.

is financially secure and able to purchase it.⁶⁷ Table 6 compares the projected construction costs of Forge International’s facility, excluding the land purchase, to the new elementary school that Middleton proposed in its recent bond issue.

Table 6 Comparison of District and Charter New Construction in Middleton

Building Name	Sector	Year Built	Square Footage	Seat Capacity	Total Construction Cost
Forge International ⁶⁸	Charter	Future	40,000	500	\$7,785,358
Proposed Elementary TBD ⁶⁹	District	Future	75,000	750	\$23,685,000

For Forge’s school leaders, the process of designing the school and working with the architects was one of balancing must-haves and trade-offs. Nonnegotiables included a minimum of 780 square feet per elementary classroom, a kitchen, and a multipurpose space large enough to double as a cafeteria and a gym. The gym and kitchen are crucial elements for engaging the community. The kitchen enables Forge to offer free and reduced-price lunch from day one, ensuring that the school is accessible to all students. The gym space will enable Forge to offer athletic programming similar to local district schools and also serve as a space for engaging parents, families, and the broader community.

But Forge’s leadership team also had to make concessions. The 780-square-foot-minimum classroom space is smaller than typical elementary classrooms, which are closer to 900 square feet.⁷⁰ In addition, construction of the library was pushed to phase two, so students will use a makeshift library space for the first three years. They also built about 50 percent of their optimal office space, meaning that there is no dedicated office space for a counselor or food nutrition consultant. Though flexibility is part of Forge’s model, the lack of office space is not ideal.

As Figures 6 and 7 indicate, Forge International’s facility will be constructed at a per-seat cost of about \$15,600—half of what the Middleton School District asked taxpayers to fund. Forge International’s cost per square foot is also well below Middleton’s proposal. These differences are likely due to a number of factors, including the smaller size of Forge’s facility and the trade-offs described above. It is also partly attributable to the fact that Middleton’s proposed bond cost included all of the furnishings and equipment needed to operate the school, while Forge International’s project cost did not include these additional items.⁷¹

Forge International’s facility will be constructed at a per-seat cost of about \$15,600—half of what the Middleton School District asked taxpayers to fund.

Figure 6

Cost per Square Foot, Middleton New Construction

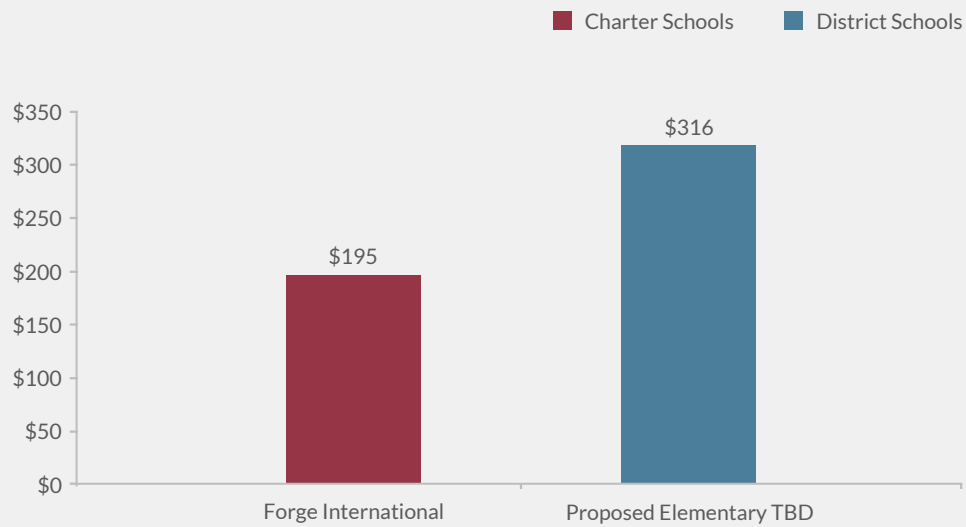
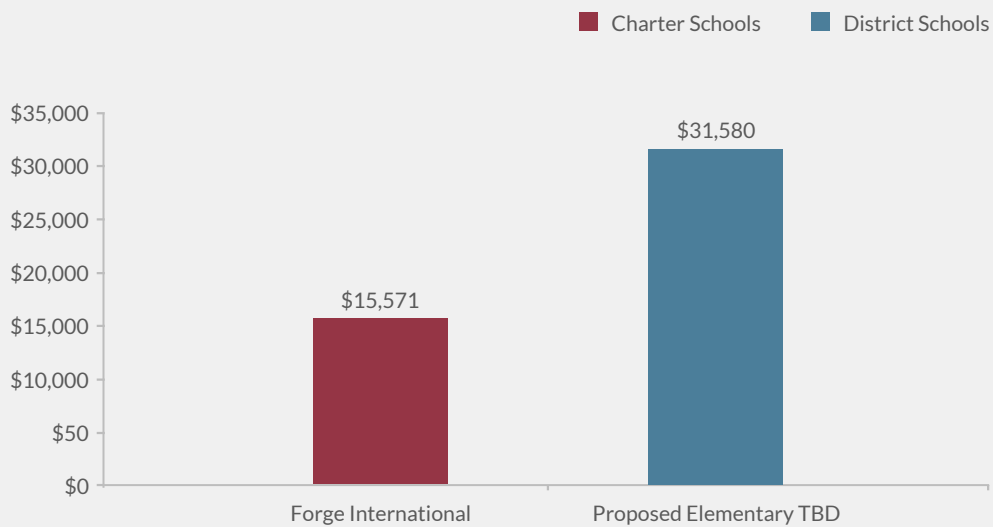


Figure 7

Cost per Seat, Middleton New Construction



The district and charter facilities projects described above offer some insight into how leaders in each sector approach renovating and building schools. Of course, leaders in each sector and in each community have unique and likely different challenges and considerations to account for when making decisions about facilities projects. The data we present here are just a snapshot of three of Idaho's 115 school district communities, and the numbers may not be identical across sectors or communities. Bond issues may, for example, include the costs of furnishing buildings' interiors while charter costs do not. That could drive up per-seat costs. Charter schools must typically factor in the cost to purchase land in addition to construction costs, while district schools may already own the land on which they plan to build.

Charter schools are spending a lot less per seat on their facilities. Some of their savings come from simply going without.

But even with these considerations, the comparisons are illustrative. They suggest that charter schools are spending a lot less per seat on their facilities and that some of their savings is from simply going without. Our 2016 report found that only about one out of two of Idaho's charter schools have a gym of their own. About one in three have a cafeteria.⁷² These kinds of concessions, along with arrangements like that of Future Public Schools' with the Boys & Girls Club, show some of the creative solutions charter schools have found to their facilities challenges. And Idaho's charter schools have demonstrated that it's possible to nonetheless operate high-quality programs.⁷³

But whether they should be making those compromises, or whether district leaders would be willing to do the same, is less clear. Should charter schools need to make such compromises? Would district schools also benefit from such cost-cutting measures? The answers to these questions is somewhere in between, in which districts exert financial discipline to minimize costs and all public schools, including charter schools, have school facilities that are truly conducive to student learning.

As Idaho's legislators move toward more equitable funding for all students, it will be important for them to find middle ground that will enable all public school students (district and charter) to attend school in high-quality facilities.

Lessons Learned

Our conversations with district and charter leaders added context to the data presented above. These conversations surfaced three main takeaways, discussed below.

Both school districts and charter schools face barriers in financing facilities.

The challenges that charter school leaders face in finding and financing facilities are well documented. Our previous report, *Building Excellence*, identified three key barriers and challenges:

- 1 Limited access to financing to purchase or build a facility;
- 2 Difficulty finding suitable properties to lease or purchase; and
- 3 Operating in facilities that lack amenities and make it difficult to provide the educational programming that leaders envision.

These challenges continue to resonate with Idaho's charter school leaders today. And even though the state-provided per-pupil facilities funds have increased in recent years, the \$445 per pupil from the state is still well below the \$751 per pupil that charter leaders spent on facilities back in 2016.

Savvy leaders have found ways to cut costs, by foregoing gyms or cafeterias or decreasing classroom square footage, for example. Organizations like Building Hope, Bluum, and the J.A. and Kathryn Albertson Family Foundation have stepped in to help fill the financing gap. Federal funds sometimes play a role, too. For example, the U.S. Department of Education recently awarded Bluum a \$17.1 million grant through the federal Charter Schools Program.⁷⁴ Though these funds cannot be used for school construction, they do help on the margins. Nonetheless, the situation is far from ideal for Idaho's many high-performing charter schools.

Charter school leaders are not the only ones who face barriers. Many district leaders across Idaho struggle to pass the bonds or plant facilities levies that would allow them to build and renovate their school facilities. The biggest barrier is Idaho's constitutional requirement that districts must obtain a two-thirds supermajority to pass a bond. Kentucky is the only other state in the nation with a similarly high bar.⁷⁵ In most states, districts can pass bonds with a simple majority. Since the 1990s, Idaho lawmakers have attempted to amend this requirement 11 times, with the most recent proposal in 2017.⁷⁶ None of these proposals has made it through the legislature.

Idaho's rural communities face financial challenges that may include facilities.

The previous decade of declining state funding for education has resulted in Idaho school districts relying heavily on supplemental levies to fund their operational costs.⁷⁷ This has hit Idaho's rural schools particularly hard, as the tax increases that result from supplemental levies can place a huge burden on Idaho's small, and often poor, rural populations.⁷⁸ Ninety-three of Idaho's 115 districts passed supplemental levies in 2017, but the districts operating without these levies tend to be small and rural.⁷⁹ When these districts need new facilities, a plant facilities levy or a bond becomes yet another financial burden on already-struggling communities.⁸⁰

Without better data, it is difficult to fully understand the scope of the facilities challenge in rural Idaho.

Since 2015, just 17 of Idaho's 75 rural school districts have placed a bond issue before voters. Thirteen of those 17 passed.⁸¹ There are several potential reasons that just 17 rural districts have attempted to pass bonds in recent years. First, as indicated above, rural communities may be overburdened by taxes from recent supplemental levies, and superintendents may decide not to bother to request a bond they know will fail. Second, while the population is increasing in several of Idaho's larger communities, many of its small rural communities are experiencing flat or declining population growth. Rural districts may simply have less need for new facilities and may be able to get by with renovations to existing buildings. And, of course, it's always possible Idaho's rural school districts' infrastructure is adequate as is. Unfortunately, without better data, it is difficult to fully understand the scope of the facilities challenge in rural Idaho.

Overcoming facilities challenges provides an opportunity for district and charter leaders to learn from one another.

Though the source of the challenges school districts and charter schools face in financing facilities may be different, the result is the same: Public schools struggle to afford the infrastructure they need for their students. This presents an opportunity for the district and charter sectors to learn from one another and perhaps collaborate on solutions.

School districts and charter schools could, for example, pool their funds to build common spaces for use by all public school students in a neighborhood, such as libraries, gymnasiums, auditoriums, or music classrooms. Charter school leaders' creativity in approaching their school buildings could spur similar creativity on the part of school district leaders. District leaders could share their experiences with new charter leaders, many of whom have no experience in the world of school construction. And district leaders could share with other district leaders their best practices in how they communicate with voters about the need for a bond or levy.

This collaboration is not sufficient—it is ultimately the legislature's constitutional mandate to provide a uniform and thorough system of schools for Idaho's students, which ought to include facilities—but it could help Idaho's public school leaders address pressing challenges in the near term.

Recommendations

Financing facilities is a problem affecting Idaho’s public schools—both charter and district—and Idaho’s student population continues to grow. Policymakers must find viable solutions for all public schools.

And yet, despite the current programs in place to help charter schools finance their facilities—namely the adoption and implementation of the Charter School Facilities program in 2013—and the work of community organizations like Building Hope, Bluum, and the J.A. and Kathryn Albertson Foundation, Idaho’s charter schools still struggle to fund buildings comparable to those that district schools build with funds they receive through public bonds and tax levies. In some cases, like in Boise and West Ada, charter schools and district schools spend about the same per square foot to build their facilities. The facilities that charter schools build, however, are typically smaller and require compromises that district schools rarely have to consider.

But school districts, especially those in rural communities, also struggle to pass the bonds and levies necessary to finance their facilities. In rural communities and those struggling economically, community members may feel unable to take on additional taxes or long-term debt, leaving district leaders in a similarly tough position as charter school leaders.

The recommendations that follow offer suggestions for Idaho’s lawmakers as they consider how to best support all public schools in building and maintaining the school facilities that Idaho’s students need and deserve.

1 Improve data collection and transparency.

Improving data collection and transparency is a critical first step for Idaho's legislators as they pursue a uniform and thorough system of public schools for Idaho's students.

Collect better data on school facilities statewide.

Collecting data on the current status of all of Idaho's public school facilities is the first step to understanding the scope of the need and the spectrum of potential solutions. Such data could include the year built, date and extent of any recent renovations, most recent structural or other engineering assessments, current student enrollment compared to building capacity, and a catalog of acute issues such as leaking roofs, crumbling foundations, or safety hazards.

The Boise School District offers a local example of this kind of data collection: Prior to running the district's most recent bond, school leaders engaged in an assessment process to ensure they fully understood where facilities challenges existed. Having the data in hand helped Boise's leaders clearly communicate the district's need to community members. Outside of Idaho, Colorado's Building Excellent Schools Today (BEST) program provides another example of this kind of data collection. The program provides competitive, need-based grants to public schools (district and charter) to use toward major capital projects. To determine need, the state's Facility Insight team conducts regular assessments of all statewide public educational facilities.⁸²

Collecting the data will ensure that Idaho's legislators have a full understanding of the problems facing public schools statewide and can support them in crafting solutions that meet the most pressing needs among communities that may not be able to meet them on their own.

Improve transparency about how public schools spend facilities funds.

Armed with additional data about the status of school buildings statewide, Idaho lawmakers can increase transparency about how school districts and charter schools spend public money (accessed through state programs, bond issues, or plant facilities levies) on school construction projects. This transparency provides a statewide comparison point for school and district leaders who seek community support for their projects.

Idaho lawmakers could take this transparency effort a step further and include comparison data of contiguous states. This could help ensure that the state's taxpayers have relevant and accessible information about how their taxes are spent, and compare that spending to benchmarks in nearby states.

Collecting data on the current status of all of Idaho's public school facilities is the first step to understanding the scope of the need and the spectrum of potential solutions.

2 Ensure state and local fees apply equally to all public schools.

Idaho law allows governmental entities (cities, counties) to impose “impact fees” for new construction “as a condition of development approval.”⁸³ These fees cover the impact that new capacity in public facilities will have on existing public services. County Highway Districts, for example, may charge schools fees for the impact that a new school will have on existing roadways.

However, these fees are not applied uniformly to all of Idaho’s public schools. In Meridian, the West Ada School District was able to get these fees waived for its new construction projects. Compass Charter School, also located in Meridian, was not.

These fees can be quite significant. For Compass, the fees it paid amounted to more than \$600,000. That extra cost resulted in the school’s inability to complete its gymnasium.⁸⁴

The unequal assessment of fees creates additional financial burdens for charter schools that district schools do not face. Idaho’s lawmakers must ensure that all of Idaho’s public schools are treated uniformly when it comes to paying (or being exempt from) city and county fees.

The unequal assessment of fees creates additional financial burdens for charter schools that district schools do not face.

3 Increase the state’s portion of public school facilities costs.

Idaho has a few small programs in place to support both charter schools and school districts in paying for school facilities. However, the current amount of state funds dedicated to these programs is minimal. Increasing the amount of state funds dedicated to these programs will help ease the burden that public schools are currently shouldering.

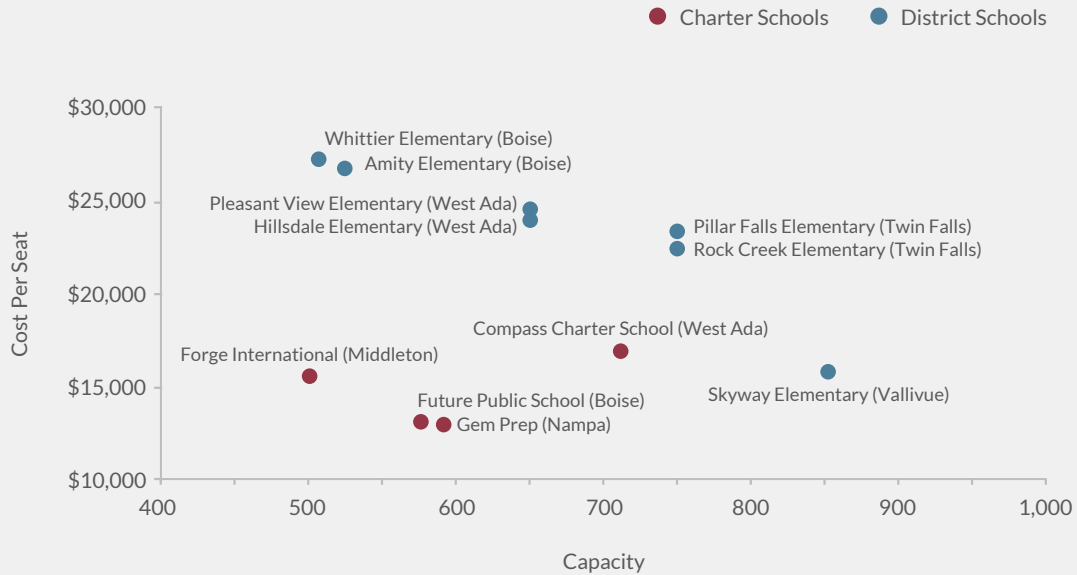
Increase the allocation to the Charter School Facilities Program.

The Idaho legislature created the Charter School Facilities Program in 2013 to provide per-pupil facilities funding to the state’s charter schools. The state determines the amount of funding by calculating the average per-pupil funding from district bonds and levies. Statute dictates that charters receive no less than 20 percent and no more than 50 percent of this average. For the 2018-19 school year, charter schools received \$370 per student.⁸⁵ While this amount is more than triple what charter schools received during the first year of the program (\$122), it is still far less than what charter schools spent on facilities in 2016 (\$751).⁸⁶

And when charter schools have to finance large capital projects, like building a new school or buying property, charter schools spend far below what districts spend per seat on similar projects. Figure 8 below shows the relationship between average cost per seat and building capacity for seven new district buildings (denoted in blue) and four new charter school buildings (denoted in red). The four charter schools built facilities with capacities similar to those of school districts but well below the cost per seat in the majority of those same district schools.

Figure 8

Comparison of Charter and District School Capacity and Cost per Seat for New Construction Projects



In lieu of charters being able to access bond and levy dollars, it would at least be helpful if charter schools had access to additional funds for large capital expenditures, in addition to funds to support ongoing facility maintenance costs.

In lieu of charters being able to access bond and levy dollars, it would at least be helpful if charter schools had access to additional funds for large capital expenditures, in addition to funds to support ongoing facility maintenance costs. These funds would help close the facilities financing gap between Idaho’s charter and district schools.

Increase state facilities support to district schools.

Idaho’s state funding for school facilities is minimal, and the programs that do exist do not directly support facilities construction projects. The Bond Levy Equalization Program supports school districts in making interest payments on bonds. Both the state lottery funds and the School Facilities Maintenance Match funds must be allocated to a district’s school building maintenance fund, up to the minimum amount required by Idaho law.⁸⁷ Only if excess funds remain after meeting the maintenance threshold can districts use lottery funds for school construction.⁸⁸

The state of Idaho is one of 12 states nationwide that does not provide direct support to school districts to construct facilities.⁸⁹ As a result, bonds and levies are the primary mechanism for funding school construction projects. But lots of districts struggle to pass bonds, meaning that they struggle to finance high-quality facilities for their students.

In 2006, following a state Supreme Court ruling that Idaho's public school facilities funding system was unconstitutional,⁹⁰ the legislature created the Public School Facilities Cooperative Fund. This fund provides loans to school districts to rebuild or repair unsafe facilities, but just two districts have taken advantage of it since its creation.⁹¹ Its limited use is due in large part to the fund's eligibility requirement that a district's facilities be deemed unsafe.⁹² District leaders tend to try to address facilities concerns before they rise to the level of being unsafe, making it difficult to take advantage of this program.

Two changes to this program could make it more accessible and useful to school districts. First, rather than limiting eligibility to unsafe schools, legislators could create a formula to determine need, accounting for factors like district enrollment, the facility's age, the nature of the challenges that need to be addressed, and more. The program can, and should, continue to fund improvements to unsafe schools first and foremost. But new eligibility rules would allow the program to *also* support capital projects addressing the schools with the next-highest levels of need, according to established criteria.

Second, the legislature could increase funding to this program to ensure that there are ample funds for all districts that apply for support. These changes would expand the state's role in financing public school facilities, allow more districts to benefit from state aid, and ensure that low-quality facilities do not become a detriment to schools' educational programs.

4 Adopt moral obligation bond financing for charter schools.

Bonds are one type of debt that schools can use to fund construction projects. Organizations sell bonds to investors, called bondholders. The money an organization receives from bondholders functions like a loan—it must be repaid over time, with interest. Organizations wishing to issue bonds may seek credit enhancements to obtain better terms for their bonds. Credit enhancements can include posting collateral, obtaining insurance, or securing a third-party guarantee, and they reduce the credit risk of the debt, thus lowering the interest rate that the organization must pay.

A so-called "moral obligation bond" is one type of credit enhancement that some states provide to high-performing charter schools. Moral obligation bonds are bonds backed by the state.⁹³ In other words, the state provides a pledge of commitment to repay a bond in the event that a charter school defaults on its payments.

Both Colorado and Utah have active moral obligation bond programs for their charter schools. In 2002, the Colorado legislature authorized the state to issue up to \$200 million in charter school debt and back it with the state's moral obligation. Legislation in 2006 and in 2014 added an additional \$200 million and \$100 million to the fund, respectively.⁹⁴ Since implementing the program, the state has issued 56 moral obligation bond transactions for

Implementing a moral obligation bond program for charter schools would not only reduce the cost to charter schools of accessing debt but ultimately save taxpayer money, as fewer dollars would be spent paying banks' higher interest rates.

school refinancing totaling nearly \$700 million. The Utah legislature launched its moral obligation bond program in 2012. Since then, there have been 14 transactions totaling nearly \$250 million.⁹⁵

Implementing a similar program in Idaho to help the state's high-performing schools refinance existing facilities debt would ensure these schools have access to the bond market at favorable rates, making financing for facilities more affordable.

Moreover, moral obligation bonds issued on behalf of charter schools would be tax-exempt. This means that bondholders would not have to pay taxes on the income they earn from investing in a charter school's bonds. Because investors do not have to pay taxes on returns, tax-exempt bonds have lower interest rates than taxable bonds. These interest rates are also typically lower than those charged by banks and other traditional lending institutions.

Implementing a moral obligation bond program for charter schools would not only reduce the cost to charter schools of accessing debt but ultimately save taxpayer money, as fewer dollars would be spent paying banks' higher interest rates.

5 Allow charter schools to be included in local school districts' bonds and levies.

The ability of traditional school districts to levy taxes and issue bonds puts them at a significant advantage over charter schools when it comes to financing facilities. Charter schools cannot access these taxpayer funds, which means that charter schools operating in districts like Boise and West Ada—which have secured hundreds of millions of dollars' worth of taxpayer funds for facilities in recent years—must continue to scrimp and save in order to purchase or construct adequate facilities.

Allowing or requiring school districts to account for charter schools' needs in their bond and levy requests is one way Idaho's policymakers could help address this inequity. As we discussed in depth in *Building Excellence* back in 2016, such legislation has helped charter schools in Colorado access local funding for facilities. Colorado's law requires school districts to account for charter schools' facilities needs as they pursue financing for their own. Implementing a similar law in Idaho would help ensure that all public schools benefit from taxpayer-funded facilities.

Conclusion

As legislators work to return state education funding levels to pre-recession amounts and to streamline the state's school funding formula, facilities must be included in the conversation.

Idaho is one of America's fastest-growing states. With this growth comes an increasing need for high-quality public school facilities, both district and charter. As legislators work to return state education funding levels to pre-recession amounts and to streamline the state's school funding formula, facilities must be included in the conversation.

The current state funding for charter schools and district schools is simply inadequate. The \$445 per pupil that charter schools receive makes only a small dent in the per-student costs that charter schools incur when they construct or purchase a facility. Meanwhile, some districts can pass bonds and plant facilities levies, while others cannot. The current system results in inequitable facilities funding across the state and public school sectors.

As Idaho's population grows, high-quality public schools will continue to be a critical component of building strong local communities and a strong statewide economy. To make this happen, the state needs to improve its support for public school facilities, easing a burden currently facing far too many school districts and charter schools statewide.

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Acknowledgments

We would like to thank the many individuals who gave their time and shared their knowledge with us to inform our work on this project. We are particularly grateful to Terry Ryan, Marc Carignan, and the rest of the Bluum team for their support and feedback on earlier drafts of this paper. Thank you to Rich Bauscher, Don Coberly, Coby Dennis, Keith Donahue, Micah Doramus, Josh Middleton, Brad Petersen, and Kelly Trudeau for the time they took to speak with us in interviews and by email. The contributions of these individuals significantly enhanced our work, and any errors in fact or analysis are the responsibility of the authors alone.

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