Local Initiatives Support Corporation proposes to develop and demonstrate innovative credit enhancement initiatives to assist charter schools in accessing private sector and other non-Federal capital to address the cost of acquiring, constructing and renovating facilities across the nation. LISC is requesting $15 million from the U.S. Department of Education (ED) to support the development and expansion of charter schools through a variety of programs being created and expanded by its Educational Facilities Financing Center.

This project will advance ED’s commitment to increasing student choice by addressing the largest barriers to charter school growth: lack of appropriate facilities exacerbated by lack of access to adequate, affordable financing. LISC will help charter schools to access financing needed to acquire, build, construct or renovate facilities.

The $15 million requested will not be used for the direct purchase, lease, renovation or construction of charter school facilities, but rather will be used to facilitate financing by identifying potential lending sources, encouraging private lending, and other similar activities that directly promote lending to, or for the benefit of, charter schools. The proposed program will feature two strategies: 1) an $80 million National Charter Loan Fund II, a fund that provides direct lending to charter schools and is credit enhanced with ED funds, and/or 2) a $15 million Charter School Guaranty Fund, a fund that directly credit enhances tax-exempt municipal bonds, mortgages and leasehold improvement loans for charter school facilities. These complementary models will give LISC the flexibility to efficiently address charter school facilities financing needs as charter schools face tightening credit requirements from conventional lenders.

LISC has experienced great success thus far in assisting charter schools in overcoming the significant challenges they face in obtaining financing for their facilities. LISC has received a total of $26.5 million in grant awards from ED, $10 million in 2003 and 2004 for the creation of the National Educational Loan Fund, $8.2 million in 2006 for the creation of the National Credit Enhancement Fund, and $8.3 million in 2009 for the creation of the National Charter Loan Fund and the Bond Credit Enhancement Fund. To date, LISC has met or surpassed the leveraging and fund raising goals included in both of its Performance Agreements. LISC has also contributed to the research and dissemination of best practice through its publication of four studies: In 2004, LISC published “The Finance Gap: Charter Schools and their Facilities.” As a follow-up, in 2005, LISC published “The Charter School Facility Finance Landscape, A National Mapping Survey of Private Nonprofit Providers and Public Initiatives,” the first comprehensive listing of private nonprofit providers and public programs in the facilities sector. In April 2007 and June 2010, LISC published the second and third editions of the Landscape, respectively. For the first time, the June 2010 Landscape, included loan origination and performance data for 18 major private nonprofit providers of facilities financing to charter schools as well as detailed data and rating analysis for all rated charter school bond issuances through 2009.