U.S. DEPARTMENT OF EDUCATION

Implementation of the Credit Enhancement for Charter School Facilities Program

Final Report

Implementation of the Credit Enhancement for Charter School Facilities Program

By:
Kenneth Temkin
Grace Hong
Laurel Davis
Optimal Solutions Group, LLC
Baltimore, Md.

William Bavin
Education Capital Group
Washington, D.C.

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Executive Summary

Since the first charter school began operating in 1991 in Minnesota, the number of charter schools has grown rapidly from 250 in 1995 to about 4,000 by 2007. Charter schools now enroll more than 1.1 million students in the United States (National Alliance for Public Charter Schools 2007). Charter schools face many challenges when they attempt to purchase or lease permanent facilities and frequently operate in temporary space that is poorly suited for delivering educational services (Dolan, Murray, and Walsh 1998). Unlike regular public schools, they typically do not have separate facilities funding from their school districts. Moreover, charter schools generally cannot issue bonds backed by property taxes to finance facilities. Finally, since charter schools often lack tangible assets and an operating history that could be used to support a loan application, securing facilities financing is particularly problematic (Dolan, Murray, and Walsh 1998).

In response to this problem, the U.S. Department of Education (ED) established, in 2001, the Credit Enhancement for Charter School Facilities Program (the Program). The Program makes available grants on a competitive basis to eligible entities—state or local government, private nonprofits, or consortia—which use Program funds for credit enhancements so that lenders will make loans for the following two purposes:

- The acquisition (by purchase, lease, donation, or otherwise) of an interest (including an interest held by a third party for the benefit of a charter school) in improved or unimproved real property that is necessary to commence or continue the operation of a charter school; and

- The construction of new facilities, or the renovation, repair, or alteration of existing facilities, necessary to commence or continue the operation of a charter school (Title V, Part B, Subpart 2, §5224 of the *Elementary and Secondary Education Act of 1965*, as amended by the *No Child Left Behind Act*).

Key Findings

- **The nine organizations that received Program grants in FY 2002 through FY 2004 (the Grantees) supported a total of $168 million worth of Directly Enhanced loans to 84 schools between FY 2003 and FY 2005;[1]**

- **Many of the assisted schools,[2] according to Grantee[3], commercial lender, investment bank, and rating agency representatives, would not have received facility loans *at any price* before the Program, because lenders believed that these schools reflected a prohibitively high level of risk; and**

[1] Grantees support charter school lending by making loans directly to charter schools or by providing credit enhancements for loans made by third parties. Both types of loans are defined in this report as Directly Enhanced loans.

[2] Schools that received Directly Enhanced loans are defined herein as assisted schools, or as schools assisted by Grantees.

[3] The nine organizations are referred to herein as the Grantees and, individually as a Grantee.

- **Over 23,000 students are enrolled in the 84 charter schools assisted under the Program by the Grantees during FY 2003 and FY 2005. These students are more likely to be low-income and minority compared with students enrolled in all charter schools and all U.S. public schools.**

Program Description

Recipients of Program grants must establish reserve accounts in which Program funds are deposited. These funds must be invested in obligations issued or guaranteed by the United States or a state, or in other similarly low-risk securities. Any earnings on these funds received must be deposited in the reserve account and used in accordance with the Program's following allowable activities (Title V, Part B, Subpart 2, §5225 of the *Elementary and Secondary Education Act of 1965*, as amended by the *No Child Left Behind Act*):

- Guaranteeing, insuring, and reinsuring bonds, notes, evidences of debt, loans, and interests therein;

- Guaranteeing and insuring leases of personal and real property;

- Facilitating 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; and

- Facilitating the issuance of bonds by charter schools, or by other public entities for the benefit of charter schools, by providing technical, administrative, and other appropriate assistance (including the recruitment of bond counsel, underwriters, and potential investors and the consolidation of multiple charter school projects within a single bond issue).

Between FY 2002 and FY 2007, ED awarded $197 million to 18 recipients. Through FY 2006, the recipients assisted a total of 138 schools and leveraged over $407 million worth of financing for charter schools so that they could acquire or renovate their facilities, according to ED. As the activities supported by the grants progress over their 10- to 20-year life span, ED anticipates that the benefits they produce will continue to grow.

Data Sources and Analysis Strategy

The findings presented below are based on analyses of organizations that received awards in the first three years of the Program between FY 2002 and FY 2004. During this period, ED made a total of $87 million of awards to the following Grantees:

- America's Charter School Finance Corporation (America's Charter);
- Center for Community Self-Help (Self-Help);
- Charter Schools Development Corporation (CSDC);
- District of Columbia Office of the State Superintendent of Education (OSSE);

- Local Initiatives Support Corporation (LISC);
- Low Income Investment Fund Inc. (LIIF);
- Massachusetts Development Finance Agency (MassDevelopment);
- NCB Capital Impact (NCBCI); and
- Raza Development Fund Inc. (RDF).

The Grantees between FY 2003 and FY 2005 supported $168 million worth of Directly Enhanced loans to 84 schools. These schools, located in 21 states (including Washington, D.C.), enrolled 23,162 students at the time they received their Directly Enhanced loan. The unpaid principal balance for the Directly Enhanced loans, as of Sept. 30, 2005, was $155.5 million.

The purposes of this study are to describe how the Grantees implemented their activities, as outlined in their Program document. Our analysis will address the following research questions:

1. How does the Program achieve its legislative purpose?

    a. Does the Program, as implemented, provide for improved access of charter schools to capital markets for facilities?

    b. Does the Program, as implemented, provide for better rates and terms on financing than would otherwise be available for the charter schools served by the Program Grantees?

2. What is the relative efficiency of Grantees' models of service?

3. What is the evidence of innovative method use?

4. Is the Program serving the communities with the greatest need for public school choice?

5. What are the major issues with Program implementation? Do Grantees and charter schools served by the Grantees have insights into how the Program might be improved?

The analyses were conducted with data collected from three sources: (1) Grantee-provided information in their Program applications and Annual Performance Reports submitted to ED in FY 2003, FY 2004, and FY 2005; (2) secondary data sources including the U.S. Census, the National Center for Education Statistics' (NCES) Common Core of Data (CCD), and the U.S. Treasury Web site; and (3) interviews with representatives of Grantees, assisted schools, unsuccessful Program applicants, commercial lenders, rating agencies, educational management organizations (EMOs), developers and investment banks. With these sources of information, the research team analyzed the characteristics of Directly Enhanced loans supported by Grantees, the location of assisted schools, the characteristics of students enrolled in assisted schools, and the types of solutions used by Grantees to facilitate charter school loans.

Findings

1a. Does the Program, as implemented, provide for improved access of charter schools to capital markets for facilities?

Yes. Many charter schools are unable to qualify for loans that could be used for facilities-related purposes because lenders perceive them to be too great a risk. The credit enhancements funded by the Program reduce lenders' exposure to losses in the event that a charter school defaults on its loan. As a result, the Program has improved charter schools' access to capital markets, resulting in more lending than would have occurred without the Program.

Some of the increased lending volume generated by the Program came from organizations that made loans directly to charter schools before the Program. These lenders increased their charter school loan volume because of the credit enhancements available under the Program. In addition, the Program attracted new lenders who either supported a modest number or no charter school loans before the Program. These conclusions are based on the following findings:

- Grantees that made loans directly to charter schools before participating in the Program increased their lending volume after receiving their grants. The six Grantees that made loans directly to charter schools before receiving their award supported a total of $5.3 million in charter school facility loans in the year before they received their awards. These same six organizations supported a total of $27.7 million of Directly Enhanced loans in the year after receiving their grants. According to Grantee representatives, this increase would not have been possible without Program funds. Despite the higher risks associated with schools receiving loans under the Program, only one loan has required a Grantee to make use of its Program funds because of a loan delinquency during the study's timeframe.

- Representatives of assisted schools interviewed for this study indicated that they were often told by commercial lenders, before the Program, not to submit a loan application, because the lender would likely deny the loan request without a credit enhancement.

- Commercial lenders and Grantee representatives indicated that, due to the Program, new lenders supported loans to charter schools and invested in loan pools credit enhanced by Grantees. Grantees used the funds provided by investors to finance charter school facilities loans.

1b. Does the Program, as implemented, provide for better rates and terms on financing than would otherwise be available for the charter schools served by the Program Grantees?

Yes. **Many of the assisted schools, according to representatives of Grantees, commercial lenders, investment banks, and rating agencies, would not have received facility loans *at any price* before the Program, because lenders believed that these schools reflected a prohibitively high level of risk. With the credit enhancements made available by the**

Program, assisted schools received loans with rates and terms that were better than would otherwise be available.

This conclusion is based on the following findings:

- According to the Grantees that made loans directly to charter school loans before receiving an award, the rates and terms for Directly Enhanced loans they supported were at least the same, and in some cases better than the loans offered by the Grantees before they received Program funds. Moreover, some of the Grantees used the Program funds to offer more flexible underwriting standards, which allowed schools to be approved for loans that, before the Program, they would not have received.

- In the debt markets, loans typically are priced relative to the prevailing risk-free rate of interest on a comparable term loan. The financial markets call the difference between the nominal interest rate on a loan and the risk-free rate of interest the "spread." The risk-free rate is measured by the yields on U.S. Treasury securities, because they are considered to have nearly assured returns (and so have no credit risk) and can be easily sold by their owners (and thereby have no liquidity risk). The spread typically reflects the level of risk that a lender believes is evidenced by a particular borrower.

  The average spread for Directly Enhanced acquisition and construction loans was 2.42 percentage points greater than comparable term Treasury yields, and the average spread for Directly Enhanced leasehold improvement loans supported by Grantees was 3.23 percentage points greater than comparable term Treasury yields. The spreads for Directly Enhanced acquisition and construction loans and leasehold improvement loans were slightly higher than those for commercial real estate mortgages made during the same period. This difference, according to representatives of Grantees, commercial lenders, and rating agencies, is appropriate, because Directly Enhanced loans were made to more risky charter schools.

2. What is the relative efficiency of the models of service being used by Grantees of the Program?

Grantees are categorized into one of three broad types of models of service:

- *Vertically Integrated*. Four Grantees (Vertically Integrated Grantees) are using a variant of this model of service in which they take the lead in evaluating applications and making charter school loans.

- *Fully Distributed.* Two Grantees (Fully Distributed Grantees) are using a variant of this model of service in which they use the Program funds to enhance charter school loans already approved by third-party lenders.

- *Mixed.* Two Grantees are using this model of service in which they make loans directly to charter schools and also provide credit enhancements for loans made by third-party lenders.

Because the two Grantees using a Mixed model of service are using a variety of dissimilar strategies rather than a core set of common strategies, the efficiency analysis is restricted to Grantees using either a Vertically Integrated or a Fully Distributed model of service.

As detailed below, the Vertically Integrated and Fully Distributed methods of service may provide a trade-off in terms of start-up time to support loans and the types of charter schools that receive Directly Enhanced loans. After receiving their grant, Fully Distributed Grantees support loans more quickly than Vertically Integrated Grantees but serve less risky charter schools than Vertically Integrated Grantees.

Pros and Cons Associated with the Vertically Integrated and Fully Distributed Methods of Service

Grantees that use a Vertically Integrated model of service generally must identify and negotiate with lenders and investors, given the available credit enhancement. Based on the observations of the Grantees and commercial lenders, these negotiations take time, because different investors have to agree on a standard set of underwriting requirements that the Grantee can use when evaluating charter school loan applications. Furthermore, each investor may add an underwriting criterion, resulting in cumulative criteria that few charter schools can meet. Alternatively, investors may agree to underwriting standards for loans supported by the Grantee that were more flexible than those used for loans directly made by the lender because the lender's risk is spread out over a pool of loans made to charter schools.

Grantees that use a Fully Distributed model of service do not have to work with lenders and investors to agree to underwriting standards in advance of making loans. Rather, Grantees using a Fully Distributed model of service, according to Grantee representatives, try to allocate their funds on an as-needed basis to make charter schools "bankable" to commercial lenders or bond investors by enhancing loans that were already approved by banks, subject to a credit enhancement. Grantees using the Fully Distributed model of service may be able to move more quickly once receiving their Program grant funds to close transactions, as compared to Grantees that use a Vertically Integrated model of service.

The two models of service have resulted in different types of lending outcomes and efficiency measures. This conclusion is based on the following findings:

- Based on data for Directly Enhanced loans supported by Grantees between FY 2003 and FY 2005,[4] it appears that Grantees that use the Fully Distributed model of service were able to support charter schools relatively quickly, because they use the enhancement for loans that have already been negotiated by charter schools with their lenders. The initial lending volume for Grantees that use a Vertically Integrated model of service was relatively slower, perhaps because of the complexities involved in establishing the terms and conditions associated with loan pools started by these Grantees, with the exception of one such Grantee using this model and lending with its own assets.

- The lending volume to date may be lower for Grantees using a Vertically Integrated model of service, but they appear more willing to serve slightly more risky charter

[4] One Grantee did not make any Directly Enhanced loans between FY 2003 and FY 2005.

schools than those supported by the credit enhancements provided by Grantees using a Fully Distributed model of service. The reason may be due, in part, to the more rigorous underwriting standards used by commercial lenders that make loans to charter schools with credit enhancements from Fully Distributed Grantees.

The results regarding the differences between the two models of service are preliminary. The analysis does not provide conclusive evidence that favors one model over another. Rather, the data suggest that both models of service play a significant role in facilitating capital investment in charter schools that otherwise would not be able to secure conventional financing.

3. Is the Program serving the communities with the greatest need for public school choice?

The research team evaluated whether Grantees used selection criteria to choose assisted schools that include the following three factors ED uses to evaluate Program applications:

- The extent to which the applicant selects geographic service areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring under Title I of the *Elementary and Secondary Education Act of 1965*, as amended by the *No Child Left Behind Act*;

- The extent to which the applicant selects geographic service areas in which a large proportion of students perform below proficient on state academic assessments; and

- The extent to which the applicant selected communities to serve with large proportions of low-income students.

The analysis of the extent to which Grantees selected service areas in need of school choice contained two parts. In the first part, the research team examined the types of criteria Grantees used to select charter schools, and compared these criteria with the same factors that ED uses to evaluate Program applications.

To determine whether the Grantees made decisions to assist schools that were consistent with their selection criteria, the research team, in the second part, examined the demographic characteristics of students enrolled in the 84 assisted schools and compared these characteristics to students enrolled in charter schools and the overall U.S. K–12 student population. Finally, the analysis included a comparison of the economic and demographic characteristics of the Census tracts in which assisted charter schools were located relative to the characteristics of the county in which the assisted school was located.

All but one of the Grantees used selection criteria that took into account whether an area requires school choice. Furthermore, Directly Enhanced loans, on average, were made to charter schools in which lower income and minority students comprised a larger share of enrollment as compared to all charter schools and all U.S. public schools.

All but one of the Grantees used selection criteria that took into account at least one of the following factors: (1) academic performance of schools in an area; (2) academic performance of students in an area; or (3) income of families in an area. The remaining grantee proposed to

match program priorities with the overall national characteristics of charter schools. The characteristics of the students enrolled in the assisted schools and the Census tracts in which the assisted schools were located suggest that the Grantees made decisions based on their selection criteria.

Fifty-nine percent of the 23,162 students enrolled in assisted charter schools were eligible for free or reduced price lunches, compared to 39 percent of all U.S. students in public schools and 44 percent of all charter school students. Minority students accounted for a larger share of students in schools assisted by Grantees between FY 2003 and FY 2005 compared to students enrolled in all charter schools and all U.S. public schools. The proportion of white students in schools assisted by Grantees between FY 2003 and FY 2005 was 24 percent, the proportion of such students in all charter schools was 42 percent, and in all public schools was 58 percent (exhibit ES-1).

Exhibit ES-1: Racial and ethnic composition of students enrolled in schools assisted under the Program between FY 2003 and FY 2005, all charter schools, and all U.S. public schools

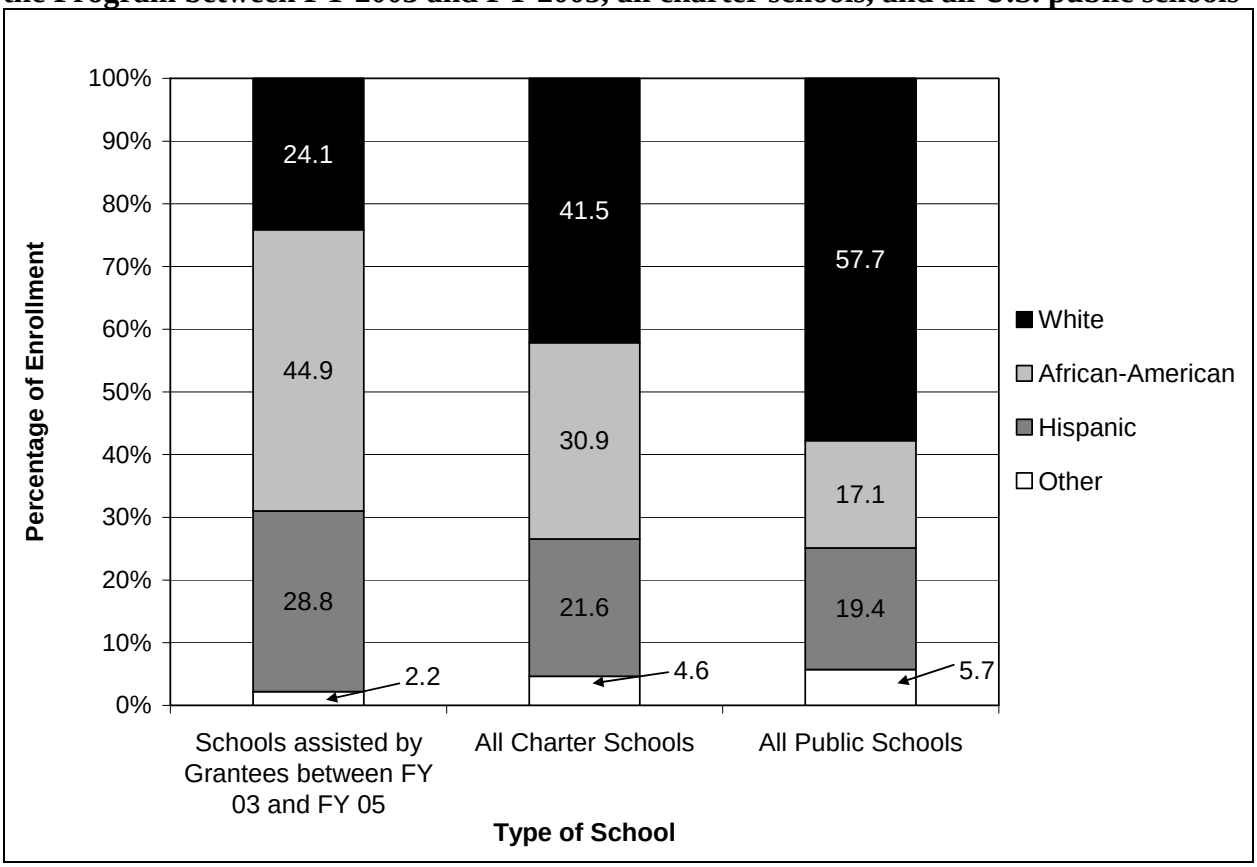

Exhibit Reads: The proportion of white students in schools assisted by Grantees between FY 2003 and FY 2005 was 24 percent, the proportion of such students in all charter schools was 42 percent, and in all public schools was 58 percent.

Sources: 1. Information related to assisted schools: Grantee Annual Performance Reports.
2. Information related to all charter and public schools in United States: Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2004–05 (Preliminary) at http://nces.ed.gov/ccd/bat

Finally, the assisted charter schools themselves were located in Census tracts with lower median household incomes and a larger share of minority residents than the counties in which the schools were located. As of 2000, the average median household income for tracts that contained assisted schools was $36,000, or 83 percent of the average $43,000 median household income of all assisted schools' counties. Whites accounted for 69 percent of residents in counties in which assisted schools were located, compared to 52 percent of residents in Census tracts in which assisted schools were located (exhibit ES-2).

Exhibit ES-2: Selected characteristics of Census tracts and counties, as of the 2000 U.S. Census, with schools assisted by Grantees between FY 2003 and FY 2005

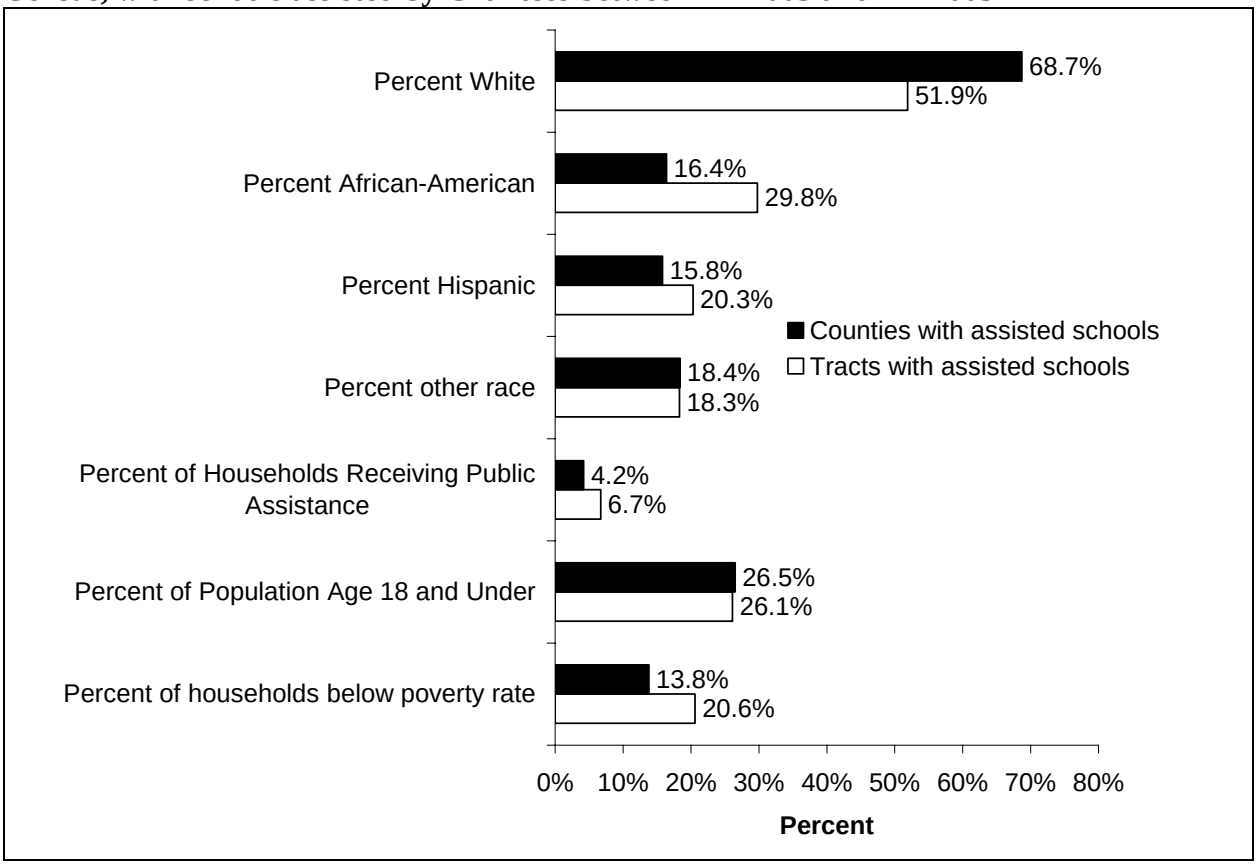

Exhibit Reads: Whites accounted for 69 percent of county residents in which assisted schools were located, compared to 52 percent of residents in tracts where assisted schools were located.

Note: The data used to prepare the information in this exhibit are presented in appendix D.
Sources: 1. Location of schools: Grantee Annual Performance Reports geocoded by the authors.
2. Characteristics of Census tracts and counties in which assisted schools were located: U.S. Census 2000.

4. What is the evidence of innovative method use?

The Program emphasizes that organizations that receive grants use innovative methods to facilitate loans to charter schools. There is no industry standard as to what constitutes an "innovative" method. Hassel and Esser (2004) identified the following types of innovative methods that could be used to generate charter schools facilities financing:

- Direct borrowing on the private market;

- Sale or lease of existing facilities;

- Cost-saving solutions, such as space sharing with community agencies and higher education institutions;

- New uses of community resources by education students through off-campus internships, service learning projects or field research or use of distance education; and

- New forms of organizational arrangements, such as establishing real estate trusts and intermediaries.

Based on a review of loan-level data and information provided by Grantees and assisted schools, there was evidence that Grantees are using innovative methods, especially related to helping charter schools borrow directly from private lenders.

This conclusion is based on the following findings:

- Charter schools receiving loans under the Program were smaller and in operation for a fewer number of years than charter schools receiving loans from commercial banks or through the bond market. Therefore, schools assisted by the Program were able to tap into sources of funds for smaller and newer charter schools that were previously not available.

- Grantees that operate a Fully Distributed model provide credit enhancements to loans made by third party lenders, oftentimes commercial banks. As a result, charter schools assisted by such Grantees were able to borrow directly from the private market. Grantees and assisted school representatives that received such loans indicated that these assisted schools did not have the sufficient down payment or operating history to meet private lenders' underwriting standards.

- In some cases Grantees have used innovative real estate solutions that created opportunities for charter schools to share space until they could purchase a building. A Grantee negotiated an agreement to purchase a 23,500 square-foot facility and obtained the necessary $2.4 million to renovate the building and turn it into classrooms, administrative offices, and multipurpose space for two charter schools that operated in the building. One school moved into its own facility, and the other school will purchase the property.

- As a result of the lending volume facilitated by Grantees, investment bankers and other industry participants are now examining the potential for creating a secondary market for Directly Enhanced loans. Such a market would allow Grantees and other lenders to sell loans and use the proceeds from such sales to fund additional charter school lending. If successful, a secondary market for charter school loans could, as with residential and commercial mortgages, provide a significant and efficient source of money for charter school loans in the future.

5. What are the major issues with Program implementation? Do Grantees and charter schools served have insights into how the Program might be improved?

Overall, the Grantees and assisted schools were highly positive about the Program and believe that it is making a difference in the market. In response to open-ended questions regarding implementation challenges they face and areas in which the Program could be improved, Grantee representatives indicated that the combination of the one-time allocation equal to one-quarter of 1 percent of the grant amount (e.g., $25,000 for a $10 million grant) for administrative expenses provided for in the Program's statute and the income earned from fees and interest rate spreads was not sufficient to cover the costs associated with complying with the reporting requirements, some of which are specified in the Program's statute. Some Grantee representatives indicated that they had to find other sources of funds to cover administrative costs or, in some cases, reduce services to assisted schools as a cost-savings measure.

The Grantee's responses should be taken in the context of their expressed overall level of satisfaction with the Program. Additional research, beyond the scope of this study, would be required to (1) assess the extent of this perceived problem; (2) identify potential changes, if any, to the reporting requirements that would reduce costs to Program grant recipients and still provide ED with information needed for effective oversight; and (3) evaluate the potential benefits of increasing the administrative fee provided by the Program's statute.

In addition to changing the statute's administrative cap, which was recommended by all Grantees, a Grantee indicated that it could earn more income if it could use Program funds as a source of charter school loans, rather than being restricted to placing these funds in a reserve fund. Another Grantee indicated that the Program should be changed so that Grantees could support predevelopment loans, which many charter schools need to establish plans to acquire or rehabilitate facilities. Predevelopment loans are loans that a school might obtain to pay for the cost of determining whether a site is suitable for development, such as a study to determine whether a site is contaminated with environmental hazards.

Assisted schools did not mention many challenges. Only one assisted school expressed any criticism or concern during the interviews. This representative indicated that Grantees could provide information about fees on a timelier basis.

Chapter 1: Introduction

The purpose of this study is twofold: (1) describe the implementation of the Credit Enhancement for Charter School Facilities program (the Program); and (2) document the Program's lending-related outcomes for charter schools in its first three years of operation. The study analyzes the activities of the eight organizations that received grants (the Grantees) in FY 2002 through FY 2004 to address the following research questions:[5]

1. How does the Program work in achieving its legislative purpose?

    a. Does the Program, as implemented, provide for improved access of charter schools to capital markets for facilities financing?

    b. Does the Program, as implemented, provide for better rates and terms on financing than would otherwise be available for the charter schools served by the Program Grantees?

2. What is the relative efficiency of service models being used by Grantees of the Program?

3. Is the Program serving the communities with the greatest need for public school choice?

4. What is the evidence of innovative method use?

5. What are the major issues with Program implementation? Do Grantees and charter schools served have insights into how the Program might be improved?

Since the first charter school began operating in 1991 in Minnesota, the number of charter schools has grown rapidly from 250 in 1995 to about 4,000 by 2007. Charter schools now enroll more than 1.1 million students in the United States (National Alliance for Public Charter Schools 2007). Charter schools face many challenges when they attempt to purchase or lease permanent facilities and frequently operate in temporary space that is poorly suited for delivering educational services (Dolan, Murray, and Walsh 1998). Charter schools, unlike traditional public schools, typically do not have separate facilities funding from their school districts. Moreover, these schools generally cannot issue bonds backed by property taxes to finance facilities. Finally, because charter schools often lack tangible assets and an operating history that could be used to support a loan application, securing facilities financing is particularly problematic (Dolan, Murray, and Walsh 1998).

A recent study of charter school finance summarized the challenges of securing facilities funding as follows:

[5] Nine organizations received grants in the first three years of the Program. One of these Grantees had not made any Directly Enhanced loans through FY 2005, and so the analyses do not include that organization.

> "Facilities can be a problem for several reasons. Rarely is a vacant school building available in good condition and in a suitable location. Often a space must be adapted or upgraded, which adds to the expense. Some charter schools have benefactors to help pay for a facility or even donate one, but most, especially in lower-income areas, do not.… Low-cost, charity-rate loans and mortgages for large amounts are scarce. And on the conventional market, charter schools tend to encounter additional charges rather than discounts. Lenders and landlords, in dealing with an unfamiliar type of applicant, may naturally try to cover the perceived risk by asking for extra loan guarantees, security deposits, and/or premium rates—which the schools, in many cases, cannot afford" (The Ewing Marion Kauffman Foundation 2005, pp. 2–3).

In addition to the financial risks presented by charter schools, lenders face a "renewal risk," in which the charter school that takes out a loan may not have its charter renewed before a loan matures, thereby leaving the school with no revenue to pay its loan. Recognizing these risks, the Program was established so that grant recipients could make credit enhancements available to lenders. These credit enhancements, by providing some level of guaranteed loan payments or recoveries in the event of a foreclosure, reduce the financial and renewal risks associated with charter school facility loans, thereby increasing the likelihood that lenders will make such loans.

Federal credit programs, including credit enhancement programs, exist because they have the potential to benefit many customers and can potentially cost less than providing direct cash aid to the same number of customers. Charter school facilities can be expensive. Some of them cost $20 million or more. If a charter school facilities program were designed to provide direct cash grants and received between $25 million and $37 million a year in funding, the program would not serve many charter schools. The credit enhancement approach allows Grantees to leverage their funds, since the credit enhancements under this Program do not typically guarantee 100 percent of a given loan amount for the duration of the loan. Rather, the typical credit enhancement guarantees only a portion of the loan, and so the dollar volume of loans credit enhanced by the Program is greater than the amount of Program funds used to support the loans.

The following chapter presents background information about the Program. Chapter 3 describes the Program and is followed, in Chapter 4, by a discussion of the research methodology. The report concludes, in Chapter 5, with a presentation of the study's findings to each research question.

Chapter 2: Program Description

This chapter describes the Program's purposes, allowable activities and administrative requirements. The Program makes available grants on a competitive basis to eligible entities, including state or local governments, private nonprofits, or consortia. These entities, in turn, use Program funds for credit enhancements so that lenders will make loans for the following two purposes:

- The acquisition (by purchase, lease, donation, or otherwise) of an interest (including an interest held by a third party for the benefit of a charter school) in improved or unimproved real property that is necessary to commence or continue the operation of a charter school;

- The construction of new facilities, or the renovation, repair, or alteration of existing facilities, necessary to commence or continue the operation of a charter school (Title V, Part B, Subpart 2, §5224 of the *Elementary and Secondary Education Act of 1965,* as amended by the *No Child Left Behind Act*).

Eligible entities' applications are evaluated according to criteria set forth in regulation (34 CFR Part 225, §225.11). Recipients of Program grants must establish reserve accounts in which grant funds are deposited. These funds must be invested in obligations issued or guaranteed by the U.S. government, a state government, or in other similar low-risk securities. Any earnings on these funds received must be deposited in the reserve account and used in accordance with the Program's following allowable activities (Title V, Part B, Subpart 2, §5225 of the *Elementary and Secondary Education Act of 1965*, as amended by the *No Child Left Behind Act*):

- Guaranteeing, insuring, and reinsuring bonds, notes, evidences of debt, loans, and interests therein;

- Guaranteeing and insuring leases of personal and real property;

- Facilitating 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; and

- Facilitating the issuance of bonds by charter schools, or by other public entities for the benefit of charter schools, by providing technical, administrative, and other appropriate assistance (including the recruitment of bond counsel, underwriters, and potential investors and the consolidation of multiple charter school projects within a single bond issue).

Most grantees used their grants for the first allowable purpose.

Once the grant is received, a recipient may draw down funds after signing a Performance Agreement acceptable to ED. Performance Agreements include a grantee's target amount of funding that it will leverage for charter schools to acquire, construct, and renovate school

facilities, and the number of charter schools it will serve. The Performance Agreement also describes the ways in which the grantee will accomplish the purposes of the Program. An eligible entity may draw down and spend a limited amount of funds prior to reaching an acceptable Performance Agreement provided that the Grantee requests to draw down and spend a specific amount of funds and ED approves the request in writing (34 CFR Part 225, §225.20).

Program grant recipients must maintain financial statements in accordance with generally accepted accounting principles and are subject to an annual audit by an independent public accountant. In addition, Grantees submit to ED an annual report of their operations and activities that includes the following (Title V, Part B, Subpart 2, §5227 of the *Elementary and Secondary Education Act of 1965*, as amended by the *No Child Left Behind Act*):

- A copy of the most recent financial statements, and any accompanying opinion on such statements, prepared by the independent public accountant reviewing the financial records of the eligible entity;

- A copy of any report made on an audit of the financial records of the eligible entity that was conducted under subsection (a) during the reporting period;

- An evaluation by the eligible entity of the effectiveness of its use of the federal funds provided under this subpart in leveraging private funds;

- A listing and description of the charter schools served during the reporting period;

- A description of the activities carried out by the eligible entity to assist charter schools in meeting the Program's objectives; and

- A description of the characteristics of lenders and other financial institutions participating in the activities undertaken by the eligible entity under this subpart during the reporting period.

Program grant recipients may recover costs associated with conducting activities under the Program, including direct personnel expenses tied to the four allowable uses of the reserve account. Administrative activities that are not directly tied to these uses are capped at one-quarter of 1 percent of the total grant (Title V, Part B, Subpart 2, §5226 of the *Elementary and Secondary Education Act of 1965*, as amended by the *No Child Left Behind Act*).

ED must recover all of the funds in a Grantee's reserve account if the ED secretary determines, not earlier than two years after the date on which the grantee first received funds under the Program, that the participant has failed to make substantial progress in carrying out the purposes of the Program. ED must reclaim all or a portion of the funds in a reserve account established by a participant that has permanently ceased to use all or a portion of the funds in such account to accomplish any purpose consistent with the Program (Title V, Part B, Subpart 2, §5229 of the *Elementary and Secondary Education Act of 1965*, as amended by the *No Child Left Behind Act*).

Chapter 3: The Grantees

The Credit Enhancement for Charter School Facilities Program has awarded $197 million to 18 recipients to assist charter schools in obtaining suitable facilities for their operation. Of that amount, $87 million was awarded to nine recipients in the first three years of the program, between FY 2002 and FY 2004.[6] This chapter provides a description of these nine Grantees (listed below) and the models of service they used to provide charter school facilities loans during the Program's first three years of operation. (See Appendix E for a full list of recipients and award amounts by year.)

- America's Charter School Finance Corporation (America's Charter);
- Center for Community Self-Help (Self-Help);
- Charter Schools Development Corporation (CSDC);
- District of Columbia Office of the State Superintendent of Education (OSSE);
- Local Initiatives Support Corporation (LISC);
- Low Income Investment Fund Inc. (LIIF);
- Massachusetts Development Finance Agency (MassDevelopment);
- NCB Capital Impact (NCBCI); and
- Raza Development Fund Inc. (RDF).

NCBCI received the largest amount of funding—$18 million. CSDC, with $15 million, received the next largest amount of funds. Three of the Grantees—CSDC, NCBCI, and RDF—received two awards in the study period; the remaining six Grantees received only one award during the same period (exhibit 3-1).

Exhibit 3-1: Program awards: FY 2002 to FY 2004 ($ in Millions)

	Program grant amount			
Grantee	**FY 2002**	**FY 2003**	**FY 2004**	**Total**
America's Charter	$4.96			$4.96
CSDC	$10.00		$5.00	$15.00
OSSE			$5.00	$5.00
LISC		$10.00		$10.00
LIIF	$3.00			$3.00
MassDevelopment		$10.03		$10.03
NCBCI	$10.00	$8.00		$18.00
RDF	$5.00		$7.95	$12.95
Self-Help		$8.00		$8.00
Total	$32.96	$36.03	$17.95	$86.94

Exhibit reads: ED made $87 million worth of grants in three years, $33 million toward grants originally awarded in the first year, $36 million to those awarded in the second year, and $18 million to those awarded in the third year.

Note: In some cases ED supplemented grants that were made in prior years. The table shows the full amount of these funds in the year the grant was originally awarded when this was the case, even if some of the funding came from a subsequent year.
Source: Unpublished tabulation and chart prepared (October 2007) by Office of Innovation and Improvement, U.S. Department of Education.

[6] These nine organizations are referred to in this report as the Grantees and individually as a Grantee.

The Grantees represent a variety of organizations, ranging from nonprofit lenders to relatively new organizations that provide credit enhancements for charter school loans (exhibit 3-2). Some Grantees made loans directly to charter schools prior to receiving their grant.

Exhibit 3-2: Organizational summary of Grantees

Organizational description	Location of Grantee	Market area	Number of schools assisted (as of the end of FY2005)
America's Charter			
America's Charter is a nonprofit organization with a mission to support the creation and expansion of high-quality charter schools throughout the nation by providing them with creative and customized facilities financing products and services. Founded in 2000, America's Charter offers financing and financial counseling services for charter schools. In addition, America's Charter works with private sector foundations and companies that are interested in education and education reform to increase awareness of the difficulties charter schools face in finding appropriate and affordable facilities.	Washington, D.C.	Nationwide	9
CSDC			
CSDC, a 501 (c)(3) nonprofit organization with offices in the Washington, D.C., metropolitan area, and Phoenix, Ariz., offers programs to meet the facilities needs of public charter schools nationwide. Established in 1997, CSDC provides facility solutions for charter schools through real estate development, financing, and credit enhancement services.	Hanover, Md.	Nationwide	29
LIIF			
Established in 1983, LIIF invests capital and provides technical assistance to community development organizations in three program areas: housing, child care, and education. In 1999, LIIF began financing charter schools in response to growing demand in low-income neighborhoods.	San Francisco, Calif.	California	6

Exhibit 3-2: Organizational summary of Grantees (cont.)

Organizational description	Location of Grantee	Market area	Number of schools assisted (as of the end of FY2005)
LISC			
LISC has more than 25 years of history. It helps resident-led, community-based development organizations transform distressed communities and neighborhoods into healthy ones—good places to live, do business, work, and raise families. By providing capital, technical expertise, training, and information, LISC supports the development of local leadership and the creation of affordable housing; commercial, industrial, and community facilities; businesses; and jobs.	New York, N.Y. (National Office)	Nationwide	3
MassDevelopment			
MassDevelopment provides the financial tools and real estate expertise needed to stimulate economic growth across the state of Massachusetts. It works with businesses and local officials to address blighted areas, help create jobs, and address overarching issues that affect economic development, such as housing affordability.	Worcester, Mass.	Massachusetts	3
NCBCI			
NCBCI, formerly known as NCB Development Corporation (NCBDC), is the nonprofit affiliate of National Consumer Cooperative Bank, a cooperative financial service company. NCBCI's mission is to provide solutions based on cooperative principles that empower underserved communities to address the problems poverty creates in America. Its programs cover areas including affordable cooperative homeownership, assisted living, housing, and services for the frail and elderly, and facilities for health care centers and charter schools. NCBCI has been a charter school lender for more than 11 years.	Arlington, Va.	Florida, Georgia, Minnesota, Wisconsin, and Mid-Atlantic states	8

Exhibit 3-2: Organizational summary of Grantees (cont.)

Organizational description	Location of Grantee	Market area	Number of schools assisted (as of the end of FY2005)
RDF			
RDF is a support corporation of the National Council of La Raza (NCLR). Established in 1998 RDF is the community development lending arm of NCLR. The mission of RDF's Hope Fund is to provide flexible but high-quality loans, along with technical assistance, to entities that provide services and opportunities to low-income Latino families, a mission that is consistent with and complementary to the mission of NCLR. RDF provides capital for a wide variety of community development projects, including predevelopment, construction, and rehabilitation loans; lines of credit; and acquisition and mini-permanent loans for charter schools, community health centers, program facilities, and affordable housing.	Phoenix, Ariz.	Nationwide	18
Self-Help			
The nonprofit Center for Community Self-Help, with its financing affiliates, Self-Help Credit Union, and Self-Help Ventures Fund, is a community development financial institution based in Durham, N.C. Its mission is to create ownership and economic opportunities for minorities, women, rural residents, and low-wealth families. Self-Help's Community Facilities Fund serves the nonprofit and human services sectors, including adult and child day care providers, educational institutions, community and religious organizations, supportive housing and health care facilities, Head Start programs, affordable housing developers, and arts organizations.	Durham, N.C.	North Carolina, Florida, Georgia, Tennessee, Texas, and South Carolina	8

Models of service used by Grantees to implement the Program

Grantees were categorized into one of three kinds of models of service detailed below, based on how they complete financing, underwriting, marketing, servicing, and technical assistance activities, as detailed in exhibit 3-3.

Vertically Integrated model of service: Grantees that use a Vertically Integrated model of service (Vertically Integrated Grantees) have underwriters and other staff with expertise in charter school loan production. They take applications, process them, and make credit decisions. Four Grantees—Self-Help, RDF, LIIF, and NCBCI—are using a variation of this model of service. Three of these Vertically Integrated Grantees (RDF, LIIF, and NCBCI) use their Program funds to credit enhance a loan pool that is funded by investors, who commit to finance a set level of charter school loans so long as the Grantee uses underwriting standards established in advance by the investors. Alternatively, Self-Help uses its credit enhancement to raise funds from investors, but does not use these funds to establish a separate loan pool. Instead, the funds raised by Self-Help with the credit enhancement are assets on that organization's balance sheet.

Fully Distributed model of service: Two Grantees, America's Charter and CSDC (Fully Distributed Grantees) are using a Fully Distributed model of service, in which the lender or bond issuer assumes a large share of the underwriting and processing responsibilities. Instead of making loans to charter schools, Fully Distributed Grantees work with a lender or bond insurer to establish an amount of credit enhancement required by a lender. The lender, with the credit enhancement, makes a loan to a charter school. Fully Distributed Grantees typically make credit enhancements available to charter schools that have entered into negotiations with a lender. The lender, in such cases, has provided the charter school with a term sheet, which has the proposed rates and terms associated with the loan subject to the charter school securing an enhancement. For example, a lender may provide a charter school with a term sheet subject to the school's ability to raise the lender's required 20 percent equity. The charter school would then work with CSDC or America's Charter and the lender to secure a 20 percent guarantee for the loan.

Grantees that use a Fully Distributed model do not have to work with lenders and investors to agree to underwriting standards in advance of originating loans. Rather, Fully Distributed Grantees, according to Grantee representatives, try to allocate their funds on an as-needed basis to make charter schools "bankable" to commercial lenders or bond investors by enhancing loans that were already approved by banks, subject to a credit enhancement. Grantees using the Fully Distributed model of service may be able to move more quickly once receiving their Program grant funds to close transactions, as compared to Grantees that use a Vertically Integrated model of service.

Exhibit 3-3: Description of Vertically Integrated and Fully Distributed models of service

Program element	Vertically Integrated model of service	Fully Distributed model of service
Financing: How a Grantee raises funds that are used for charter school loans.	• Investors (banks, insurance companies, other capital sources) provide a Grantee with funds that capitalize a loan pool for charter school facilities. Investors provide such funds for a guaranteed interest rate for a specified term paid by the Grantee. In some cases financing is provided exclusively by the Grantee. • The credit enhancement grant is used by the Grantee in the event that charter school loan payments, due to delinquency and default, are less than payments to investors. Investors determine the required level of credit enhancement, which limits the leverage available under the Program.	• Lenders make facility loans to charter schools directly. The credit enhancement grant provides mortgage insurance that pays the lender 100 percent of a loan's unpaid balance in the event of default. • The Grantee determines the expected default rate and total unpaid balances for such loans; these estimates determine the total origination volume that can be supported with the grant.
Underwriting: The guidelines and processes used by a Grantee to determine whether a charter school loan application will be approved.	• The Grantee develops underwriting guidelines that are used to evaluate loan applications from charter schools. Grantee staff underwrite and approve or deny loan applications.	• Individual lenders establish their own underwriting standards, perhaps in consultation with the Grantee. Lenders underwrite loan applications and approve/deny individual loan applications that contain guarantees from the Grantee.
Marketing: The processes a Grantee uses to attract charter school loan applications.	• The Grantee is responsible for marketing the Program to charter schools in its coverage area.	• Third parties, such as lenders and trade groups, market the Program to charter schools in the coverage area.

Exhibit 3-3: Description of Vertically Integrated and Fully Distributed models of service (cont.)

Program element	Vertically Integrated model of service	Fully Distributed model of service
Servicing: The processes a Grantee uses to collect payments and, in the case of a loan delinquency, work with a charter school to prevent a foreclosure.	• The Grantee is responsible for servicing performing loans and any workouts for delinquent loans.	• Lenders are responsible for servicing performing loans and any workouts for delinquent loans. Lenders may sell servicing rights or contract with third parties to perform servicing functions.
Technical Assistance: The services offered to charter schools to assist them with identifying potential sources of financing and completing a loan application.	• The Grantee provides technical assistance to charter schools regarding financing alternatives.	• Lenders provide technical assistance to charter schools regarding financing alternatives.

In addition to credit enhancing commercial loans made by third parties, America's Charter and CSDC are using grant funds to support bond transactions. Typically, the Grantee guarantees a letter of credit provided by commercial banks that can be used to repay bondholders in the event of a charter school's default. In other transactions, the Grantee uses Program funds as a partial credit enhancement for the bond, which can be used in the event of a default.

Mixed model of service: The two remaining Grantees—LISC and MassDevelopment—have elements of both models of service.[7] LISC is using its grant funds to credit enhance 10 Local Facility Funds (LFFs). The LFFs raise money from investors to make charter school loans in their communities. MassDevelopment uses its grant funds to guarantee debt issued on behalf of charter schools. The proceeds of these bonds can be used by charter schools acquisition, construction, renovation, and leasehold improvement of charter school facilities. Most of the bonds will be issued by third-party commercial lenders, but MassDevelopment also expects to use its grant funds to credit enhance debt issued by the organization itself.

The LISC and MassDevelopment approaches do not fit neatly into either the Vertically Integrated or Fully Distributed models of service. LISC is not a direct lender, but provides credit enhancements to help establish loan pools similar to Grantees operating under a Vertically Integrated model of service. MassDevelopment makes available credit enhancements to third-party lenders, similar to the two Grantees operating under a Fully Distributed model of service, but may also be a direct lender. As a result, these two Grantees were categorized as operating a Mixed model of service.

[7] One Grantee did not support any Directly Enhanced loans between FY 2003 and FY 2005. As a result, this Grantee was not categorized into any model.

Chapter 4: Methodology

This chapter describes the data sources and methods used to address the study's research questions. This study uses information from three sources: (1) information provided in Program applications and Annual Performance Reports; (2) secondary databases; and (3) results of discussions with representatives to answer the five research questions. Exhibit 4-1 summarizes the types of information that will be the primary source of data to address each of five research questions.

Data sources

A range of quantitative and qualitative information from three sources was used to answer each research question. This section describes each data source and the data collection methodology used for each source. Overall, the following information was collected for each Grantee funded in FY 2002 through FY 2004:

- Information provided in Grantee Program applications and Annual Performance Reports submitted for FY 2003, FY 2004, and FY 2005;

- Secondary databases that provide information regarding the demographic or social characteristics of neighborhoods in which schools assisted under the Program were located; and

- Interviews with representatives of Grantees, charter schools assisted under the Program, unsuccessful Program applicants, commercial lenders, investment bankers, bond insurers, educational management organizations and rating agencies.

Grantee applications and annual performance reports

Applicants provide information that allows ED to evaluate proposals with four categories of selection criteria: (1) the quality of the design and potential significance of the proposed grant project; (2) the quality of the proposed services; (3) the business and organizational capacity to carry out the proposed grant project; and (4) the qualifications of the grant project team. Therefore, all of the Program applications include information regarding the Program grant recipients' proposed activities and experience with previous lending programs.

This application information details specific strategies that the applicant intends to use to facilitate charter school facilities lending. In particular, the application provides details about the division of specific functions between the organization and third parties. The application also specifies the types of credit enhancements that the applicant will support with grant funds. This information was used to classify a Grantee as a Fully Distributed, Vertically Integrated or Mixed Grantee. The application also outlines the selection criteria that the organization will use when choosing a charter school to assist. These criteria can include the characteristics of either students enrolled in the school or the residents in the geographic area in which the assisted school was located. This information was used to assess how Grantees selected areas that are in need of public school choice.

Grantees provide ED with Annual Performance Reports that include a narrative description of activities conducted under the Program, including a discussion of the types of credit enhancements provided and how those enhancements facilitate each transaction supported by the Program. These descriptions were used to identify innovative financial and real estate solutions implemented by Grantees. In addition to this narrative discussion of programmatic activities, Annual Performance Reports include the assisted schools' names and detailed information about the demographic characteristics of students enrolled. (Schools that received Directly Enhanced loans between FY 2003 and FY 2005 are referred to in this report as assisted schools.) This information was used to determine the extent to which the Program serves areas in need of public school choice.

In their Annual Performance Reports, Grantees provide loan-level information about the amount, interest rate, term, fees and purpose of loans that either are made by a third-party lender with a credit enhancement provided by a Grantee with Program funds or are made by a Grantee to a charter school from a loan pool that is credit enhanced with Program funds. Both types of loans are defined in this study as Directly Enhanced loans. These are the loans that lenders made as a direct result of the Program. Moreover, Grantees in many cases do not report information about the rates and terms for loans that assisted schools receive but are not credit enhanced by Grantees. As a result, it is not possible to compute financial measures that include these loans. The loan-level data provided by Grantees about Directly Enhanced loans were used to calculate financial and efficiency measures that are calculated for all Grantees by type of loan and by model of service.

Interviews

The research team conducted interviews with representatives of four groups of organizations: Grantees, unsuccessful Program applicants, industry participants, and schools assisted by Grantees. The team completed interviews with eight of nine Grantees. (The ninth Grantee did not support any Directly Enhanced loans between FY 2003 and FY 2005.)

Research team members also completed interviews with representatives of five unsuccessful Program applicants. The sampled organizations were selected from 15 unsuccessful Program applicants who received a score above 45 on their Program applications.

The sample of assisted schools was selected after grouping all of the assisted schools according to the model of service (Vertically Integrated, Fully Distributed, and Mixed) used by the Grantee that made the school's Directly Enhanced loan. The assisted schools selected to be interviewed reflects these proportions. The research team contacted 13 assisted schools,[8] and was able to complete eight assisted school interviews.

[8] Schools that received Directly Enhanced loans are defined as assisted schools or as schools assisted under the Program.

The 15 industry participants included representatives of commercial lenders, investment banks, bond rating agencies, charter school developers, and educational management organizations (EMOs). These interviewees provided different perspectives about the Program's effects. The research team selected industry participants to interview with the assistance of Working Group members, ED staff, and, in some cases, the interviewees themselves.

Secondary data

Data from two kinds of secondary sources were used in the study: Census data and public databases of financial information. To assess the neighborhood conditions of assisted charter schools, geographic information systems were used to geocode the location of schools assisted under the Program to the Census tract and county in which the assisted school was located.[9] U.S. Census data were used to calculate measures of the socioeconomic conditions of the tracts and counties that contain charter schools assisted under the Program. Publicly available databases with information about Treasury yields and commercial loan rates were used to complete comparative analyses of Program rates and terms to loans available from non-Program sources.

Limitations of the study

Overall, the study examined information related to the eight grantees, which assisted a total of 84 charter schools between FY 2003 and FY 2005. The limited data provides descriptive evidence of the program's implementation and outcome. However, because of the Program's short history, the results of the study were based on a small number of grantees and loans, and must be viewed as preliminary.

[9] Washington, D.C., and Philadelphia, both of which are cities, are also county equivalents. In this report they will be referred to as counties.

Exhibit 4 -1: Crosswalk of research questions and data sources

	Interviews with:			Grantee-provided information from:	Secondary data from:	
	Grantees	**Assisted schools**	**Unsuccessful program applicants**	**Annual performance reports and applications**	**Census data/CCD**	**Financial information Web sites**
1. How does the Program work in achieving its legislative purpose?						
1a. Does the Program, as implemented, provide for improved access of charter schools to capital markets for facilities?	X	X	X	X		
1b. Does the Program, as implemented, provide for better rates and terms on financing than would otherwise be available from Grantees?	X	X	X	X		X
2. What is the relative efficiency of the models of service being used by Grantees?				X		
3. Is the Program serving the communities with the greatest need for public school choice?		X		X	X	
4. What is the evidence of Grantees' innovative method use?	X	X		X		
5. What are the major issues with Program implementation?	X	X				

Chapter 5: Findings

This chapter presents findings for each of the study's research questions. A preliminary discussion that includes the methods used to address each study question and a summary of findings is presented for each research question. This preliminary discussion is then followed by a detailed analysis of each study question.

Does the Program, as implemented, provide for improved access of charter schools to capital markets for facilities?

To determine whether Grantees increased their lending volume after receiving Program funds, the research team calculated, for each Grantee, the changes in lending volume in the year before and in the year after the Grantee received its grant. The data regarding a Grantee's lending volume in the year before receiving its grant come from interviews. The lending volume in the year after receiving a grant was calculated from data provided by Grantees in their Annual Performance Reports.

Grantees may have been able to increase their lending volume even without the Program, if they could find other sources of funds for credit enhancements. To determine whether other sources were available, the research team interviewed representatives of unsuccessful Program applicants to determine how successful these organizations were in attracting funding from non-Program sources to support charter school lending. In addition, the research team used information provided by unsuccessful Program applicants in interviews about their lending volume subsequent to applying for their grant, and compared this amount to their proposed lending volume.

One way the Program can improve access to capital markets is by making loans to charter schools that are more risky than charter schools that receive loans from non-Program sources. To determine if Grantees served charter schools that are more risky than charter schools that can qualify for non-Program sources of funds (such as standard commercial loans) the research team, in interviews with representatives of assisted schools, asked whether their charter school had previously been denied a loan. The analysis also includes a comparison of the characteristics of assisted schools with those that receive financing from non-Program sources.

The technical assistance that Grantees provide under the Program may help to make loans more accessible to charter schools. To determine the extent to which technical assistance funded by the Program had such an effect, the research team interviewed Grantee and assisted school representatives about the effects (if any) of technical assistance.

The above approach used a combination of quantitative and qualitative data to examine the Program's effects on charter schools' access to facility loans. Overall, the Program improved charter schools' access to facilities' loans. This conclusion is based on an analysis of the following issues:

- *Are Grantees supporting higher volumes of lending compared with their lending volumes prior to the Program?* The six Grantees that made loans directly to charter schools before

receiving their award made a total of $5.3 million in charter school facility loans in the year before they received their awards. These same six organizations supported a total of $27.7 million of Directly Enhanced loans in the year after receiving their grant. According to Grantee representatives, this increase was not possible without Program funds.

- *Does the Program bring new lenders and intermediaries into the charter school lending market*? Commercial lenders and Grantee representatives indicated that lenders, which before the Program made few if any charter school loans, are making loans to charter schools or investing in loan pools. These lenders are new to charter school lending because of the credit enhancements funded by the Program.

- *Were assisted schools previously denied loans, based on interviews with assisted school representatives*? One school that received a Directly Enhanced loan applied for a loan before the Program, but was rejected. Representatives of the other charter schools that received Directly Enhanced loans indicated that, before the Program, they were often told by commercial lenders not to submit a loan application, because the lender would likely deny the loan request.

- *Do schools assisted under the Program exhibit higher levels of credit loss risk to lenders?* Compared to charter schools that issued bonds, the assisted schools were more risky, because they had smaller enrollments and shorter (or nonexistent, in the case of start-ups) operating histories. This finding is consistent with the information provided by representatives of Grantees and commercial lenders, who indicated that the assisted schools were able to receive loans even though they did not meet standard commercial underwriting guidelines related to down payment, debt service coverage ratio, and number of years in operation.

- *Do Grantees offer new products or support new types of transactions?* Grantees offered charter schools loans with longer maturities and for different uses (such as leasehold improvements) than available from commercial lenders.

- *Are unsuccessful Program applicants able to support lending without the support of the Program?* Four unsuccessful Program applicants provided information about proposed lending targets. These four organizations proposed to support a total of $594 million worth of loans. However, only one of the organizations supported any charter school loans at all through the end of FY 2005. This organization, which received a New Market Tax Credit allocation, supported $7 million worth of charter school loans during the period covered by the study. New Market Tax Credits is a federal program that permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities, investment funds that serve low- and moderate-income communities.

- *Does technical assistance provided by Grantees improve charter schools' ability to secure financing?* The representatives of the eight assisted schools interviewed for this study indicated that technical assistance did not play a large role in their ability to obtain facility loans. Most of the schools indicated that they had board members who were

familiar with the terms of commercial loans. This knowledge may have assisted them in determining whether the rates and terms of loans provided through the program were reasonable. It is not possible to generalize these findings to all of the assisted schools.

Overall charter school lending market

Grantees supported a total of $168 million worth of Directly Enhanced loans between FY 2003 and FY 2005 (of which $155.6 million was outstanding as of Sept. 30, 2005).[10] The volume of Directly Enhanced loans increased every year between FY 2003 and FY 2005, from $37 million to $78 million (exhibit 5-1). This pattern likely reflects some start-up time required by Grantees to establish loan pools and determine requirements for providing credit enhancements.

The total volume of loans directly enhanced by grantees during the study period was $168 million. As a comparison, Standard and Poor's rated $590.7 million of charter school facilities bonds through 2006 (Standard and Poor's 2006). In addition to rated bonds, charter schools have raised funds through issuing nonrated debt and also from commercial loans. Commercial lender, investment bank and bond insurer representatives estimated that charter schools, since 1999, have raised a total of $1 billion (through bonds or loans) from investors for facilities. Given the $1 billion estimated cumulative amount of loans made to charter schools since 1999, Directly Enhanced loans account for about 17 percent of all loans received or bonds issued by charter schools for facilities since the late 1990s.

[10] ED reports that all organizations that have received Program funds have supported a total of $407 million worth of loans through the end of FY 2006.

Exhibit 5-1: Grantees' Directly Enhanced loan volume by type of loan between FY 2003 and FY 2005

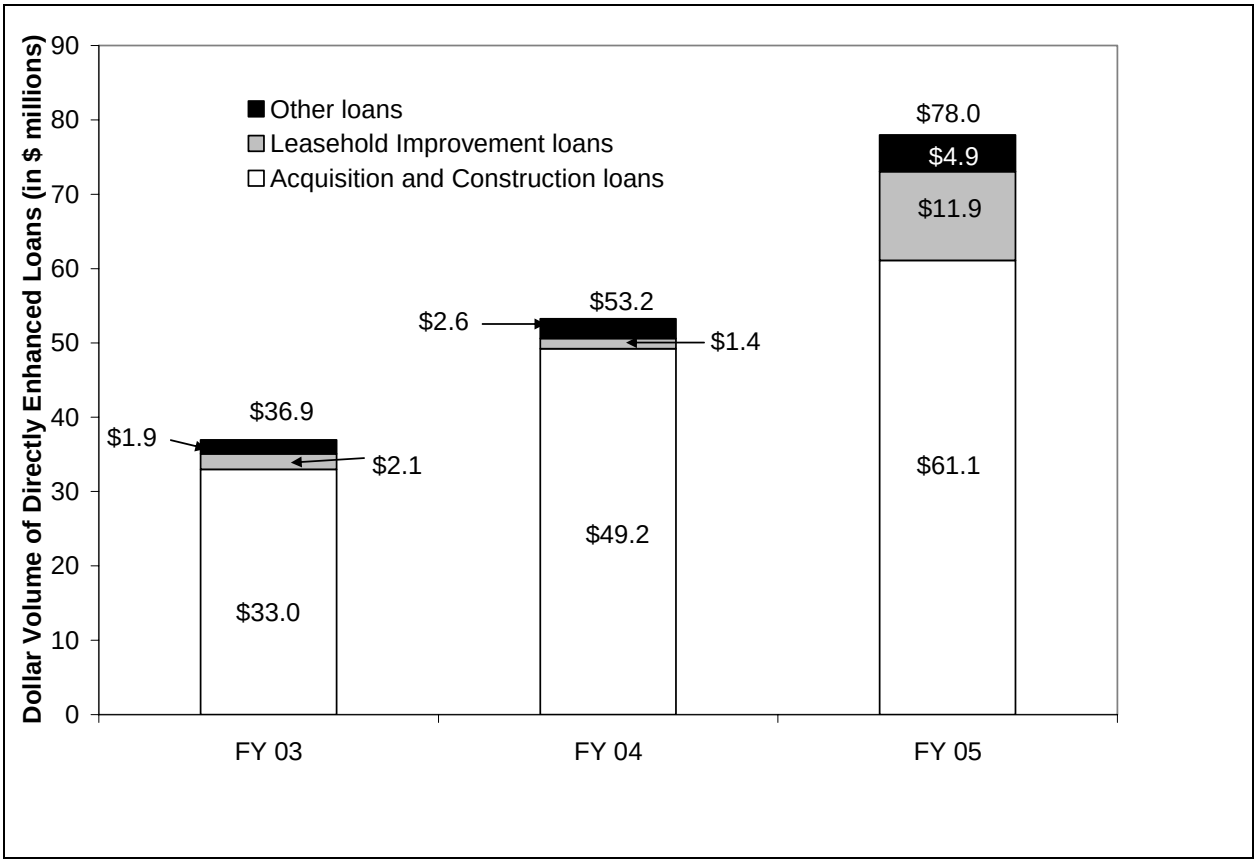

Exhibit Reads: Grantees supported $36.9 million worth of Directly Enhanced loans in FY 2003, $53.2 million worth of Directly Enhanced loans in FY 2004 and $78.0 million of Directly Enhanced loans in FY 2005. Acquisition and construction loans accounted for the largest share of any FY's total.

Source: Grantee Annual Performance Reports.

Are grantees supporting higher volumes of lending compared with their lending volumes prior to the Program?

Six Grantees made loans directly to charter schools before receiving their Program grant. These six organizations made a total of $5.3 million worth of loans the year before they received their grants (exhibit 5-2). The same organizations supported $27.7 million worth of Directly Enhanced loans in the year after they received their grants. Two Grantees did not support any charter school loans before they received their grants; these two organizations supported $29 million worth of Directly Enhanced loans in the year after they received their grants. All of the Grantee representatives indicated that the Program funds were critical in allowing them to increase (or start) their school lending activity. As a result, it is likely that the increases shown in exhibit 5-2 resulted from the Program.

Exhibit 5-2: Comparative analysis of Grantee lending volume in the year preceding receiving a Program grant to Directly Enhanced lending volume in the year following receiving a Program grant

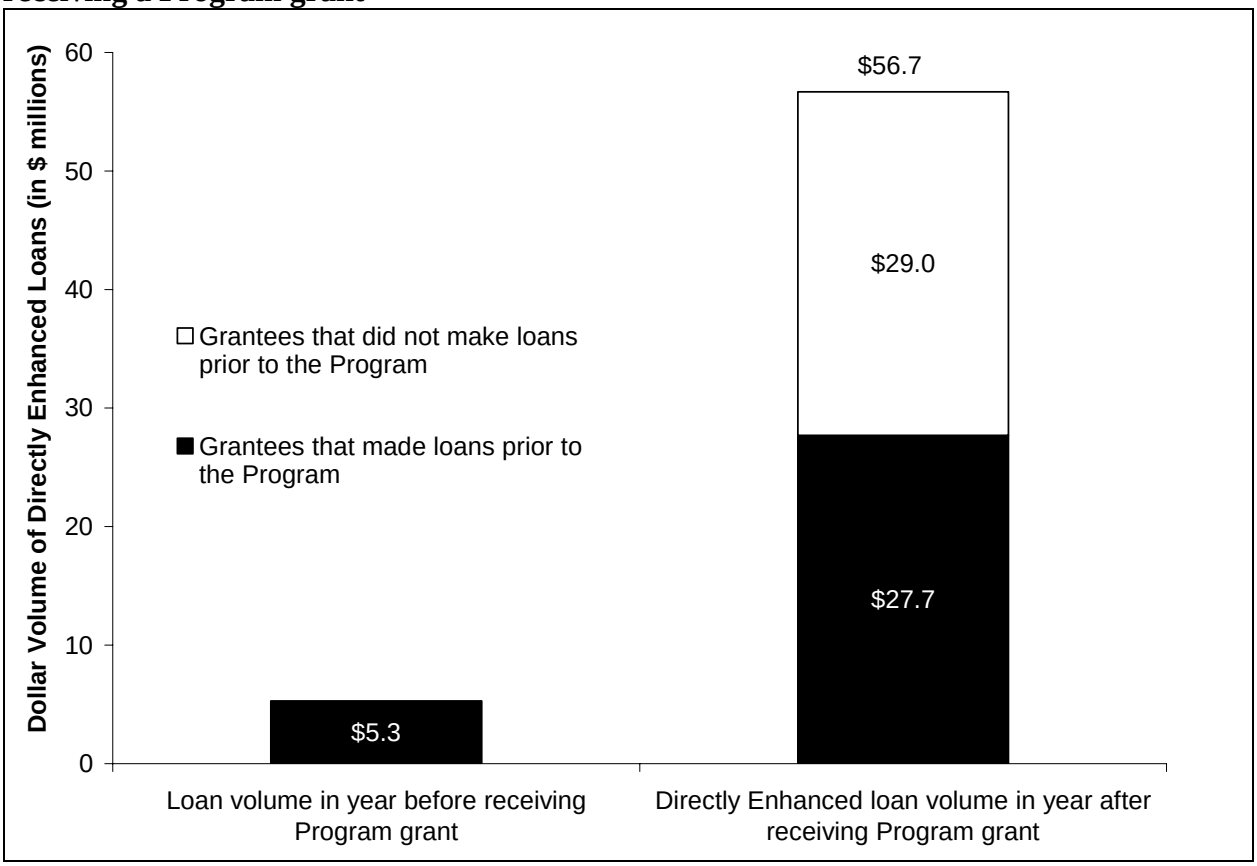

Exhibit Reads: Grantees supported $56.7 million worth of Directly Enhanced loans in the year after they received their grant. Of this total, Grantees that made loans directly to charter schools before receiving their grant supported $27.7 million worth of Directly Enhanced loans, $22.4 million greater than the amount of charter school loans these Grantees made in the year before they received their grant.

Sources: 1. Grantee interviews.
2. Grantee Annual Performance Reports.

Are unsuccessful Program applicants able to support lending without the support of the Program?

Overall, unsuccessful Program applicants were largely unable to support charter school lending without Program funds. Representatives of four of the five unsuccessful Program applications indicated that they did not seek funding to support charter school lending from non-Program sources because they believed that such sources were unavailable. Only one of the unsuccessful Program applicants supported any charter school loans at all through the end of FY 2005. This organization, which received a New Market Tax Credit allocation, supported $7 million worth of charter school loans during the period covered by the study.[11]

[11] The New Markets Tax Program is a federal program that permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-

Four of the five unsuccessful Program applicants proposed specific lending volume targets in their application. Collectively, these four organizations proposed to support a total of $594 million worth of loans. The volume of lending supported by the sampled unsuccessful Program applicants was much lower than the level of lending supported by the Grantees. Between FY 2003 and FY 2005, the Grantees supported a total of $168 million of Directly Enhanced loans. For the same period, the nine Grantees proposed to support a total of $272.5 million worth of charter school facility loans. Overall, Grantees supported 62 percent of the Directly Enhanced loans (in dollar volume) that they proposed in their applications (exhibit 5-3).

This relatively low level of charter school lending (both in absolute terms and as a proportion of proposed lending volume) supported by unsuccessful Program applicants could be the result of differences between the institutional capacity of these organizations and the Grantees. The unsuccessful Program applicants were selected in a way to minimize this potential for bias; only those unsuccessful Program applicants who received a score of at least 45 when their application was evaluated were sampled. Moreover, the unsuccessful Program applicants, even had they received a grant, may not have met their relatively ambitious targets.

Exhibit 5-3: Comparison of proposed and actual Directly Enhanced lending volume between FY 2003 and FY 2005 for four unsuccessful Program applicants and Grantees

	Proposed lending volume[a]	Actual lending volume between FY 2003 and FY 2005[b]	Difference	Percentage of actual to proposed volume
Four unsuccessful Program applicants	$594,000,000	$7,000,000	-$587,000,000	1.0%
Grantees	$272,515,000	$168,157,315	-$104,357,685	62.0%

Exhibit Reads: Four organizations that unsuccessfully applied for the Program proposed that they would support $594 million worth of loans with their Program funds. Without the Program funds these Grantees supported only $7 million worth of loans. Grantees proposed to support $272.5 million worth of loans, and actually supported $168.2 million of Directly Enhanced loans. This suggests that organizations that did not get Program funds were unable to find other sources of support for charter school lending.

Sources: a. For unsuccessful Program applicants: unsuccessful applicant's proposal. Exhibit shows the total proposed amount of lending for the entire grant. Timeframes vary by applicant. For Grantees: Performance Agreements.
b. For unsuccessful Program applicants: unsuccessful Program applicant interview. For Grantees: Annual Performance Reports. Exhibit shows the total actual lending volume of directly enhanced loans.

Nonetheless, the large differences in the amount of lending supported by unsuccessful Program applicants and the Grantees suggest that the Program funds provide credit enhancement funding that is not readily available from other sources, and so the increased lending supported by the Grantees can be attributed to the Program. Of course, this conclusion is subject to the caveat that

income communities. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period.

the experiences of the unsuccessful Program applicants interviewed for this study are similar to other organizations that seek funding to support charter school lending.

Assisted schools' ability to qualify for loans before the Program

Assisted school representatives indicated that they were unable to qualify for loans before they received their Directly Enhanced loan. As detailed below, one of the assisted schools had its loan application denied. More commonly, though, lenders told assisted school representatives that they should not apply for a loan because it was unlikely to be approved.

One of the assisted charter schools interviewed for this study submitted a facilities loan application to a commercial lender before applying for a loan from a Grantee. According to that interviewee, the school's staff started discussions with three local lenders in late 2002. Some of these lenders indicated that they were interested in making a loan to the school, and subsequently the charter school submitted an application to one lender in early 2003. After several months, the lender had not made a decision regarding the loan application, despite repeated queries from the school.

Representatives of the other assisted schools interviewed for this study indicated that lenders, without the credit enhancements offered under the Program, were unwilling even to consider an application for a facilities loan. According to these representatives, their charter school either did not approach a lender because they knew that the school could not meet standard commercial loan underwriting requirements or was discouraged, after preliminary discussions with a commercial lender, from submitting an application.

One representative of an assisted charter school indicated that the school started to explore potential sources of facilities loans around 2000. Given the attitude of commercial lenders in the area, this interviewee indicated that the school "did not hold out a lot of hope that a commercial bank would [provide] a loan." The reason, according to this interviewee, was that commercial lenders did not understand, as of 2000, how charter schools operated and how they were financed.

Some of the assisted schools initiated preliminary discussions with lenders who expressed an interest in making a charter school facilities loan. After these preliminary discussions, however, the lenders contacted by these charter schools either discouraged the school from submitting a loan application or denied their loan application. One school had a prominent investment banker as a board member. This board member, through personal contacts, was able to schedule meetings with senior executives of several large commercial banks. These senior executives expressed an interest in making a loan to the charter school and referred the charter school's representatives to loan officers, who evaluated the school's loan application. Despite the referrals from senior executives, these loan officers, after examining the financial resources of the school, told the school's representatives that they would not approve an application submitted by the school.

One assisted school initiated discussions with a Grantee that makes loans directly to charter schools before the Grantee received a Program grant. This lender's local representative told the charter school that its application was too risky. Once the lender received a grant under the Program, however, it made a loan to the school. In another case, an assisted school identified a

local lender who expressed interest in making a loan; however, after further conversations with representatives of the charter school, the lender indicated that it would make a loan only if the school obtained a 100 percent guarantee.

The experiences of the eight assisted schools interviewed for this study indicate that they likely would not have received a loan from a commercial lender without the credit enhancement funded by the Program. In one case an assisted school submitted an application to a local commercial lender, but never received a decision. More commonly, local lenders expressed a preliminary interest in making a loan to the charter school, but, according to assisted school representatives, discouraged the school from submitting an application after these preliminary conversations progressed to more detailed discussions of the school's financial condition. Some of the assisted schools did not expect to receive a loan from a commercial lender, and so did not explore the possibility of submitting an application. If the experiences of these eight assisted schools were common to all of the 84 schools assisted by Grantees between FY 2003 and FY 2005, it suggests that the Program improved charter schools' access to facilities loans.

Does the Program bring new lenders and intermediaries into the charter school lending market?

The Program, according to commercial lenders and Grantees, attracted lenders that otherwise would not have made charter school loans, and encouraged lenders that already were making charter school loans to increase their lending volume. A commercial lender, now an investor in a multimillion-dollar loan pool started by a Grantee, indicated that her company made only two charter school loans through 2002 due to the difficulties associated with evaluating the quality of loan applicants' proposed educational plan and the extent to which proposed plans would generate the enrollment levels sufficient to support revenue to make loan payments. This lender agreed to participate in a loan pool managed by a Grantee that has the expertise to evaluate charter school loan applicants' educational plans. Another commercial lender, now an investor in a large loan pool, indicated that his bank did not fund any charter school loans prior to the Program because of renewal risks. Due to the credit enhancement funded by the Program, this lender is less concerned about renewal risk.

This commercial lender indicated that charter school loan applications are difficult to evaluate because the lender must assess the quality of the proposed educational plan and the extent to which the proposed plan will generate the enrollment levels sufficient to support revenue to make loan payments. This lender agreed to participate in a loan pool managed by a Grantee that has the expertise to evaluate charter school loan applicants' educational plans. Another commercial lender, now an investor in a large loan pool, indicated that his bank did not fund any charter school loans prior to the Program because of renewal risks. Due to the credit enhancement funded by the Program, this lender is less concerned about renewal risk.

Another Grantee's representative indicated that lenders, at the start of the Program, were unfamiliar with charter schools, and so the Grantee's staff spent time meeting with commercial lenders to explain how such schools operated, how they were funded, and how the Program mitigated risks associated with loans to such schools. In a change from the early years of the Program, this Grantee's representative indicated that more commercial banks are willing to make

loans to charter schools and that these lenders are starting to adjust their underwriting standards, especially related to discounting appraisals when they evaluate charter school facility loan applications.

Overall, the observations of Grantees and commercial lenders, and the experiences of assisted schools, suggest that the Program has attracted new lenders who would not have funded charter school facilities loans without the credit enhancements made available by the Program.

Do Grantees offer products or support new types of transactions?

Representatives of Grantees that made charter school loans before receiving their grant indicated that the Program allows them to provide larger loans, with longer terms and higher loan-to-value ratios. For example, one of the Grantees made charter school loans from a revolving loan fund before receiving a Program grant. The weighted average maturity for loans made with this revolving fund could not be greater than 3.5 years, but any one loan could be for a longer or shorter term. In addition to this restriction on loan terms, the revolving loan fund could not have more than $3 million of outstanding loans at a time. Under the Program, this Grantee established a $26 million pool that is available for charter school lending. Compared to its original revolving loan fund, the loans made from the $26 million pool are for larger amounts and longer terms.

Another Grantee that made charter school loans prior to receiving Program funds could not make loans to start-up schools. The average size of loans made by the Grantee before the Program was below $500,000 and was limited to purchases of existing buildings. With Program funds, this Grantee can make larger loans, which can be used for leasehold improvements and construction financing. Similarly, another Grantee prior to receiving Program funds did not make leasehold improvement loans, and required borrowers to provide a guarantee from its management organization. In addition, this organization required a 25 percent down payment from its borrower before the Program and a debt service coverage ratio of 1.25. This means that borrower's net operating income had to be 25 percent greater than the borrower's total debt payments, including payments required by the new loan. This Grantee now requires only a 10 percent down payment and approves loans to charter schools with a debt service coverage ratio as low as 1.10.

Do schools assisted under the Program exhibit higher levels of credit loss risk to lenders?

According to investment bankers, commercial lenders, and a rating agency representative, most commercial real estate loans (including those made to charter schools) require a borrower to have a down payment of 20 percent and a debt service coverage ratio (which is the ratio of a company's net operating income to total debt payments) of at least 1.20. In addition to meeting these financial ratios, the commercial lender and the rating agency interviewee indicated that commercial lenders and bond underwriters require charter schools to document a stable three-year cash flow. The schools assisted under the Program, according to Grantees and the representatives of the assisted schools typically do not meet these requirements, and so were more risky.

According to Grantees, Program funds were sometimes used when a charter school does not have sufficient funds to make a 20 percent down payment. In a $1 million transaction, for

example, a lender would require a charter school to contribute $200,000 as a down payment, and would then make an $800,000 loan. With the credit enhancement, the bank makes a $1 million loan. A Grantee can use Program funds to guarantee $200,000 of the $1 million loan in the event of a foreclosure and loss from the eventual sale of the property. The guarantee acts as a substitute for the down payment, thereby providing the lender with the same level of risk exposure as for a loan in which a borrower is able to make a 20 percent down payment.

Grantees also indicated that Program funds were used so that charter schools could meet lenders' debt service reserve requirements. In such cases, a lender may require a school to deposit funds into a reserve account so that the account has six months of loan payments. This requirement increases the amount of cash a borrower must have on hand (in addition to any down payment requirement) at closing. Grantees, rather than the charter school itself, can use Program funds to establish such a reserve fund, and thereby bring the assisted charter school into compliance with the lender's underwriting requirements.

Grantees that make loans directly to charter schools generally use different underwriting standards, with respect to the required down payment, debt service coverage ratio, and years in operation, from those used by commercial lenders.[12] For example, two Grantees require a borrower to provide a 10 percent down payment and a debt service coverage ratio of 1.10, rather than the down payment of 20 percent and debt service coverage ratio of 1.20 typically required by commercial lenders. Another Grantee that acts as a direct lender indicated, "[We] intentionally [do] not have strict policies on criteria such as loan-to-value and debt coverage ratios. This flexibility has allowed [Grantees] to adapt creatively to the charter school market. As a result, [Grantees have] found ways to implement flexible terms, conditions, and pricing, to allow for approval of loans that do not meet more standard criteria."

Some charter schools have been able to raise funds by issuing bonds rated by Wall Street rating agencies. These schools have a median enrollment of 745 students and, on average, started operating in 1997; none of the schools were start-ups (Hitchcock and Breeding 2007). The schools that issued rated bonds were very different from those that received loans under the Program. Fifteen of the 84 schools that received Directly Enhanced loans between FY 2003 and FY 2005 (18 percent) were start-ups. The average enrollment for non start-up schools that received Directly Enhanced loans was 346 students at the time the schools received their loan, less than half of median enrollment for schools that issued a rated bond.

These differences indicate that, compared to charter schools that issued bonds, the schools that received Directly Enhanced loans were more risky. Despite the higher risk, Grantees used their Program funds only once because of a loan delinquency during the study period, and the school later reimbursed this Grantee.

[12] Grantees that make loans do not use their grant funds to finance loans because this use of grant funds is prohibited by the Program's statute. The loans to charter schools are financed from a loan pool (not the grant) that is credit enhanced by the Grantee.

Does technical assistance provided by Grantees improve charter schools' abilities to secure financing?

Representatives of the Grantees and assisted schools had different perspectives about the effects of technical assistance on the charter schools' ability to secure facilities loans. Grantee representatives indicated that they provide technical assistance to schools on an as-needed basis. Sometimes schools do not ask for technical assistance. Nonetheless, Grantee representatives indicated that some schools required their help to assess potential financing options. In some cases, Grantee representatives indicated that they participated in negotiations between a school and the school's lender. By offering this type of technical assistance, Grantees indicated that they made it possible for charter schools to get facility loans with the most favorable terms and conditions possible even for schools that do not have financial expertise.

The representatives of the assisted schools interviewed for this study indicated that they had board members who were familiar with the terms of commercial loans. This knowledge may have assisted them in determining if the rates and terms of loans provided through the Program were reasonable. As a result, the representatives of assisted schools interviewed for this study indicated that the technical assistance offered by Grantees did not play a large role in improving access to facility loans. It is possible, however, that schools not interviewed for this study benefited from technical assistance, and so these results may not be generalizable to all schools that received Directly Enhanced loans.

Does the Program, as implemented, provide for better rates and terms on financing than would otherwise be available?

To answer the above question, the research team analyzed information regarding rates and terms provided by Grantees in their Annual Performance Reports and developed a comparative analysis of Directly Enhanced loan rates and terms with appropriate benchmark instruments, based on loan purpose. This quantitative analysis was supplemented with information provided by Grantees regarding the process that they used to set rates and terms for Directly Enhanced loans and how this process differs from before receiving Program grant funds. In addition, the analysis of this question includes information provided by assisted schools regarding their experiences (if any) with applying for loans before receiving a Directly Enhanced loan. These analyses support the following conclusions:

- *How do rates and terms offered by the Grantees after the implementation of the Program differ from before the implementation of the Program?* According to the Grantees, Directly Enhanced loan rates and terms from Grantees that made charter school loans before the Program were at least the same as, and in some cases better than before the Program. Some of these Grantees, in addition to providing better rates and terms, make Directly Enhanced loans using more flexible underwriting standards, which allow schools that could not receive loans from the Grantee before the Program to qualify for such loans.

- *How do the rates and terms of the loans supported by the Program compare with comparable term treasury yields?* The average interest rate for Directly Enhanced loans was 2.42 percentage points greater than comparable term, risk-free Treasury yields. The

average interest rate for Directly Enhanced leasehold improvement loans was 3.23 percentage points greater than comparable term, risk-free Treasury yields.

- *How do the rates and terms of the loans supported by the Program compare with those of loans not supported by the Program?* The differences in the average interest rate or "spreads" between comparable term Treasury yields and the average interest rates for Directly Enhanced acquisition and construction loans and leasehold improvement loans were slightly higher than for more standard commercial real estate mortgages made during the same period. This difference, according to representatives of Grantees, commercial lenders, and rating agencies, is appropriate, because Directly Enhanced loans were made to assisted schools that usually did not have enough funds to make the down payment typically required for a commercial real estate loan. As a result, Directly Enhanced loans were usually more risky than commercial mortgages.

Are rates and terms offered by the Grantees after implementation of the Program different from what they were before implementation of the Program?

Six Grantees made charter school loans before receiving a grant. According to representatives of these organizations, the interest rates and fees charged to assisted schools under the Program were lower under the Program than the rates and fees they charged to charter schools before receiving a grant.

One Grantee, for example, indicated that the charter school loans it made before receiving a grant had higher interest rates than other types of loans it made, due to the higher level of expected losses resulting from charter school loans. A representative of this Grantee indicated that it charged interest rates for charter school loans, before receiving its grant, at the maximum level that a particular project could bear, given its available cash flow. This Grantee used its Program funds to enhance a loan pool that made loans available to charter schools with lower interest rates than before the Program.

Another Grantee operated a relatively small loan pool that was funded by investors prior to receiving its grant. Loans made from this pool had an interest rate that was 4.00 percentage points greater than the Grantee's cost of capital. With the grant funds, this Grantee established a larger loan pool. The loans funded from this pool have longer terms and carry interest rates that were 2.00 percentage points lower than those made from the original loan pool.

A third Grantee indicated that before participating in the Program, it set interest rates for charter school loans the same way as for conventional commercial loans. Since participating in the Program, this Grantee has offered assisted schools a 0.40 percentage point discount to its typical commercial rates. In addition, some of the charter school loans made by this Grantee were funded through the New Market Tax Credit program. These loans were made with even lower interest rates: 1.50 percentage points lower than charter school loans made without New Market Tax Credit funds.

How do the rates and terms of the loans supported by the Program compare with benchmarks?

In this analysis, the interest rates and loan-to-value ratios were calculated for all of the Directly Enhanced loans supported by Grantees between FY 2003 and FY 2005. The interest rates were compared to the Treasury yields, as of the date the loan was made to the school, for the same term. For example, if a seven-year loan is made to a school, that interest rate for that loan is compared to the seven-year Treasury yield. The difference between the interest rate for the loan made to the school and the Treasury yield is the "spread" between the Directly Enhanced loan and a risk-free loan. (Treasury yields are considered to be risk-free, because they carry the full faith and credit of the U.S. government.) The spread reflects a "risk premium" that charter schools pay in the form of higher interest rates, because they represent a higher credit risk than U.S. Treasury bonds.

The risk-premium for a Directly Enhanced loan was calculated as follows. Assume that a charter school received a 10-year Directly Enhanced acquisition or construction loan at an interest rate of 7 percent during the same week the yield for a 10-year Treasury was 4.5 percent. In this case the spread between the Directly Enhanced loan and its comparable term Treasury yield is 2.5 percentage points. Spreads were calculated separately for Directly Enhanced acquisition or construction and leasehold improvement loans, because leasehold improvement loans are more risky, because the lender that makes a leasehold improvement loan does not have a lien on the property.

Two loan-level interest rates and spreads were aggregated into a weighted average coupon (WAC) and a weighted average spread (WAS). The WAC is the average interest rate for all Directly Enhanced loans and the WAS is the average spread between Directly Enhanced loans and comparable term Treasury yields. The WAC for the acquisition and construction loans (based on the interest rate at origination if the loan carries a variable interest rate) was 6.1 percent. This means that Directly Enhanced loans supported under the Program between FY 2003 and FY 2005 had an average interest rate of 6.1 percent (exhibit 5-4). The interest rates for Directly Enhanced acquisition and construction loans varied from a low of 3.25 percent to a high of 9.75 percent.

The WAS for Directly Enhanced acquisition and construction loans between FY 2003 and FY 2005 was 2.4 percentage points higher than a risk-free Treasury yield of the same term. This spread varied (exhibit 5-4). In some cases the Directly Enhanced acquisition and construction loan had an interest rate lower than the comparable term Treasury yield (as much as 1.43 percentage points in one case). The highest spread for a Directly Enhanced acquisition and construction loans was 6.54 percentage points greater than the comparable term Treasury yield.

The 6.89 WAC (or average interest rate) for Directly Enhanced leasehold improvement loans was higher than the WAC for Directly Enhanced acquisition and construction loans (exhibit 5-4). This is not surprising, since leasehold improvement loans, as discussed earlier, reflect a higher level of risk to the lender. The range of interest rates for Directly Enhanced leasehold improvement loans was narrower (from 4.65 percent to 8.76 percent) as compared to Directly Enhanced acquisition and construction loans.

The WAS (or average spread between the interest rate and comparable term Treasury yield) for Directly Enhanced leasehold improvement loans was higher than for acquisition and construction loans: 3.23 percentage points versus 2.40 percentage points. The higher WAS for leasehold improvement loans, as compared to acquisition and construction loans, also is expected, given their higher risk.

Exhibit 5-4: Weighted average spread and weighted average coupon of Directly Enhanced acquisition and construction and leasehold improvement loans supported by Grantees between FY 2003 and FY 2005

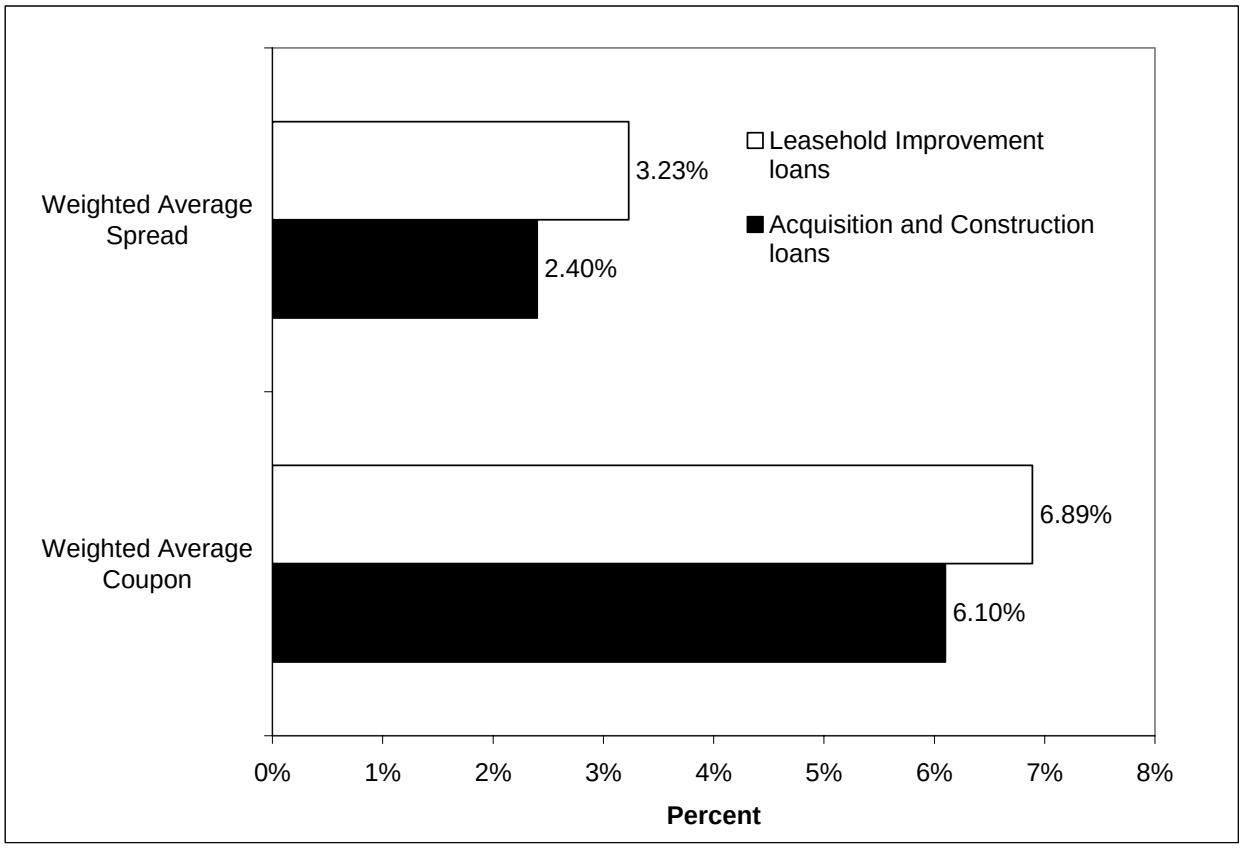

Exhibit Reads: The weighted average coupon for Directly Enhanced leasehold improvement loans supported by Grantees between FY 2003 and FY 2005 was 6.89 percent; the weighted average coupon for Directly Enhanced acquisition and construction loans for the same period was 6.10 percent.

Source: Grantee Annual Performance Reports.

Commercial real estate loans typically are made for an amount that is no more than 80 percent of a property's value. To compare this standard, the research team calculated the weighted loan-to-value ratio (WLTV) for Directly Enhanced acquisition and construction loans.[13] The WLTV for all of the Directly Enhanced acquisition and construction loans was 81 percent, ranging from a low of 21 percent to a high of 219 percent. On average, Directly Enhanced acquisition and construction loans provided funds that were 81 percent of the appraised value of the property that was built or acquired, which is in line with typical commercial real estate lending practices. But in some cases the Directly Enhanced loan amount was more than twice the value of the property

[13] Leasehold improvement loans do not have collateral, and so there is no loan-to-value calculation.

that the assisted school either built or acquired. Such loans may result, according to Grantees, from appraisals in areas in which there were very few comparable sales that can be used to estimate the value of the property either built or acquired by an assisted school. On the other end of the scale, some Directly Enhanced acquisition and construction loan amounts were as little as 20 percent of the value of the property.

How do rates and terms of Directly Enhanced loans compare with those without Program-funded loans?

The interest rates for Commercial Mortgage Backed Securities (CMBS) is the best available proxy for the interest rates for charter school loans made without credit enhancements funded by the Program. According to discussions with rating agencies, Grantee representatives, and investment bankers interviewed for this study, most charter schools assisted by the Program would not be rated as an investment-grade risk with the criteria used by most bond rating agencies. At most, these interviewees agreed, *some* (and by no means all) of the assisted schools *may* have received the lowest investment-grade rating, which is BBB minus. For the most part, the interviewees believe that a large share of the assisted schools would be classified as below investment-grade risk (BB plus or lower).

Between August 2003 and August 2004, the interest rates for BBB minus CMBS bonds were between 1.60 percentage points and 2.20 percentage points higher than comparable U.S. Treasury yields (McDonnell Investment 2004). Recall that the weighted average spread for all of the Directly Enhanced acquisition and construction loans under the Program between FY 2003 and FY 2005 was 2.40 percentage points, with the spread ranging from below 0 to a high of 6.54 percentage points. The relatively small difference between the WAS for Directly Enhanced acquisition and construction loans and spread between BBB minus CMBS and U.S. Treasury yields suggests that the rates paid by assisted charter schools for acquisition and construction loans were better than they would receive without the Program.

What is the relative efficiency of different models of service used by Grantees?

Grantees, for the purposes of this study, were categorized as using either a Vertically Integrated or Fully Distributed model of service. The Grantees using a Vertically Integrated model of service (LIIF, NCBCI, RDF and Self-Help, collectively referred to as Vertically Integrated Grantees) typically make loans directly to charter schools with funds from investors. The Grantees using a Fully Distributed model of service (America's Charter and CSDC are collectively referred to as Fully Distributed Grantees) use their Program funds to credit enhance a loan made by a lender or a bond purchased by an investor. LISC and MassDevelopment use elements of both the Vertically Integrated and Fully Distributed models of service, and are defined as Mixed Grantees.

The results detailed below suggest that the Fully Distributed Grantees supported loans relatively quickly after receiving their grant, as they often use the enhancement for loans that have already been approved by lenders, subject to a credit enhancement. Vertically Integrated Grantees take longer to make their loans after receiving their grant because they had to establish the terms and conditions for loan pools that they created from funds raised by investors. But, as discussed below, Vertically Integrated Grantees supported loans to more risky charter schools than Fully

Distributed Grantees. The efficiency measures presented in exhibit 5-5 and discussed below show higher lending volumes and a greater number of schools served and transactions per grant dollar for Fully Distributed Grantees compared to Vertically Integrated Grantees. On the other hand, as shown in Exhibit 5-6, Fully Distributed Grantees served smaller and more start-up schools, both of which are more risky, than Vertically Integrated Grantees.[14]

As a last note, these results are preliminary and were based on a modest amount of transactions from a small number of Grantees. These data cannot provide conclusive evidence that one approach is superior to another. Rather, these data suggest that both approaches play a vital role in facilitating capital to charter schools that would otherwise not be able to secure financing from commercial lenders or through the bond market.

What are the differences in lending volume and risk of schools assisted between different types of models of service?

The two Fully Distributed Grantees, between FY 2003 and FY 2005, supported $4.4 worth of Directly Enhanced loans for each dollar of Program funds received (exhibit 5-5). This per-Program fund volume was more than two times that for Vertically Integrated Grantees, which have supported $1.9 worth of Directly Enhanced loans for each dollar of Program grant funds. In addition to higher levels of volume, the Fully Distributed Grantees have supported more loans than they proposed. Fully Distributed Grantees supported five more Directly Enhanced loans between FY 2003 and FY 2005 than proposed, as compared to Vertically Integrated Grantees, which supported 27 fewer Directly Enhanced loans than they proposed during the same time period. Moreover, Fully Distributed Grantees have assisted nearly two schools for every $1 million worth of grant funds they received, as compared to about one school per $1 million of grant funds received by Vertically Integrated Grantees.

These differences likely reflect the time needed by Vertically Integrated Grantees to establish loan pools after receiving their grants. For example, one Vertically Integrated Grantee makes loans with funds raised by a third party through a New Markets Tax Credit Allocation. This Grantee indicated that, shortly after receiving its grant in 2003, started negotiations with the third. These did not end until late 2005. Now that the agreement is in place to use the New Markets Tax Credit funds, this Grantee's loan volume should increase. The same Grantee established another loan pool with investment from foundations and commercial lenders. As with the New Market Tax Credit pool, this Grantee spent a considerable amount of time working with the pool's investors to develop guidelines and procedures that were acceptable to all parties.

[14] Two Grantees are using a Mixed model of service. Because these two Grantees are using approaches that are not similar to each other, the analysis of outcomes between models of service is restricted to analyses of loans made by Grantees using either a Vertically Integrated or Fully Distributed model of service.

Exhibit 5-5: Efficiency measures for Directly Enhanced loans supported by Grantees by model of service between FY 2003 and FY 2005

Efficiency measure	Model of service			Overall total
	Fully Distributed	Vertically Integrated	Mixed	
Lending Volumes				
Directly Enhanced loan volume between FY 2003 and FY 2005 for every dollar of Program grant[a]	$4.42	$1.92	$0.87	$1.93
Reported amount of funds leveraged for every dollar of Program grant	$6.52	$2.67	$1.27	$2.80
Unpaid principal balance of Directly Enhanced loans as of Sept. 30, 2005, for every dollar of Program grant	$4.10	$1.42	$0.70	$1.79
Difference between actual and proposed Directly Enhanced lending volume for every dollar of Program grant[b]	$1.27 more than proposed	$0.21 more than proposed	$2.31 less than proposed	$0.14 less than proposed
Transactions and Assisted Schools				
Number of schools that received Directly Enhanced loans between FY 2003 and FY 2005 per million dollar of Program grant	1.90	1.03	0.30	0.97
Number of students enrolled in schools that received Directly Enhanced loans between FY 2003 and FY 2005 per million dollar of Program grant	439.97	303.93	91.39	250.21
Difference between actual and proposed number of transactions[c]	5 more than proposed	27 fewer than proposed	42 fewer than proposed	64 fewer than proposed

Exhibit Reads: The total volume of Directly Enhanced loans supported per Program grant dollar for Fully Distributed Grantees was $4.42, compared to $1.92 for Vertically Integrated Grantees and $0.87 for Mixed Grantees.

Notes:
a. If a lease guarantee was to secure improvement of a site, the worth of the improvement was counted toward the origination volume as a directly credit enhanced loan.
b. Difference between the Proposed and Actual Lending Volumes = [Actual Lending Volume as of Sept. 2005] – [Proposed Lending Volumes as of Sept. 2005]. If there was no lending target to be met by Sept. 2005, proposed lending volume was prorated from the lending target closest to Sept. 2005. For example, if a Grantee proposed to support $10 million in loans from Jan. to Dec. 2005, the proposed lending target used to compute the difference by Sept. 2005 would be $7.5 million.
c. Difference between the Actual and Proposed Number of Assisted Schools = [Actual Number of Assisted Schools as of Sept. 2005] – [Proposed Number of Assisted Schools as of Sept. 2005]. If there was no target to be met by Sept. 2005, proposed number of was prorated from the target closest to September 2005. For example, if a Grantee proposed to assist 12 schools from Jan. to Dec. 2005, the proposed number of assisted schools used to compute the difference by Sept. 2005 would be 8.

Source: Grantee Annual Performance Reports.

Vertically Integrated Grantees, supported loans to more risky charter schools as compared to Fully Distributed Grantees. The reason may be due in part to the more rigorous underwriting standards used by commercial lenders that made loans to charter schools that received credit enhancements from Fully Distributed Grantees. Vertically Integrated Grantees, in total, supported loans to more start-ups (which were more risky than schools with an established operating history) than did Fully Distributed Grantees (exhibit 5-6). Of the 38 schools assisted between FY 2003 and FY 2005 by Grantees using a Fully Distributed model of service, three (8 percent) were start-ups. In comparison, Grantees using a Vertically Integrated model of service assisted nine start-up schools during the same period, which was 21 percent of the 43 schools they assisted between FY 2003 and FY 2005.

Exhibit 5-6: Assisted schools' mean number of months in operation, number of start-up schools, number of assisted schools, mean enrollment of schools assisted by Grantees between FY 2003 and FY 2005

	Fully Distributed model of service	Vertically Integrated model of service	Mixed model of service	Total
Mean number of months that existing assisted schools were in operation when they received their Directly Enhanced loan	39	34	24	37
Number of start-up assisted schools	3	9	4	16
Number of students enrolled in existing schools at time the schools received its Directly Enhanced loan	354	309	510	346
Total number of schools assisted	38	43	6	87

Exhibit Reads: Fully Distributed Grantees supported Directly Enhanced loans to schools that were in operation for an average of 39 months, compared to 34 months for schools that received their Directly Enhanced loans from Vertically Integrated Grantees and 24 months for schools that received their Directly Enhanced loans from Mixed Grantees.

Notes: 1. Fifteen start-up schools received Directly Enhanced loans between FY 2003 and FY 2005. One start-up school received loans from two Grantees that operate different models of service.
2. Eighty-four schools received Directly Enhanced loans between FY 2003 and FY 2005. Three schools received loans from two Grantees operating different model of service.

Source: Grantee Annual Performance Reports.

A loan's risk is directly related to its loan-to-value ratio: the greater the loan amount is relative to the value of the collateral, the greater the likelihood that the borrower will default on his/her loan. Vertically Integrated Grantees supported acquisition and construction loans with an average loan-to-value ratio of 97 percent, as compared to an average 73 percent loan-to-value ratio for acquisition and construction loans enhanced by Fully Distributed Grantees. The higher average

loan-to-value ratio for loans supported by Vertically Integrated Grantees suggests that they serve more risky charter schools than Fully Distributed Grantees do.

Leasehold improvement loans, which are more risky than acquisition loans, account for a larger share of the Vertically Integrated Grantees' lending volume as compared to Fully Distributed Grantees. Of the 35 Directly Enhanced loans supported by Vertically Integrated Grantees, 13 (37 percent) were for leasehold improvements. This was slightly more than leasehold improvement loans' share (30 percent) of Fully Distributed Grantees. The average loan amount for Directly Enhanced leasehold improvement loans was greater for Fully Distributed Grantees ($752,000) than for Vertically Integrated Grantees ($571,000).

Lenders often charge higher interest rates to more risky borrowers. Given that Vertically Integrated Grantees make loans to more risky charter schools than Fully Distributed Grantees, one expects that the interest rates charged by Vertically Integrated Grantees would be higher than the interest rates charged by Fully Distributed Grantees. The results presented next are consistent with this expectation.

The weighted average spread (WAS) for Directly Enhanced acquisition and construction loans supported by Vertically Integrated Grantees was 2.83 percent (exhibit 5-7). The WAS for these loans ranged from a minimum of 1.57 percentage points and a maximum of 5.26. The WAS for acquisition and construction loans supported by Fully Distributed Grantees was 1.91 percentage points (exhibit 5-7), and ranged from a minimum of -1.43 percentage points and a maximum of 6.54 percentage points. The WAS for Directly Enhanced acquisition and construction loans supported by Fully Distributed Grantees was 0.92 percentage points lower than the same types of loans supported by Vertically Integrated Grantees. This is consistent with the finding that Vertically Integrated Grantees make loans to more risky charter schools, and so charge interest rates with a higher spread.

Exhibit 5-7: Weighted average spread and coupon for Directly Enhanced acquisition and construction loans supported by Grantees between FY 2003 and FY 2005 by Grantee model of service

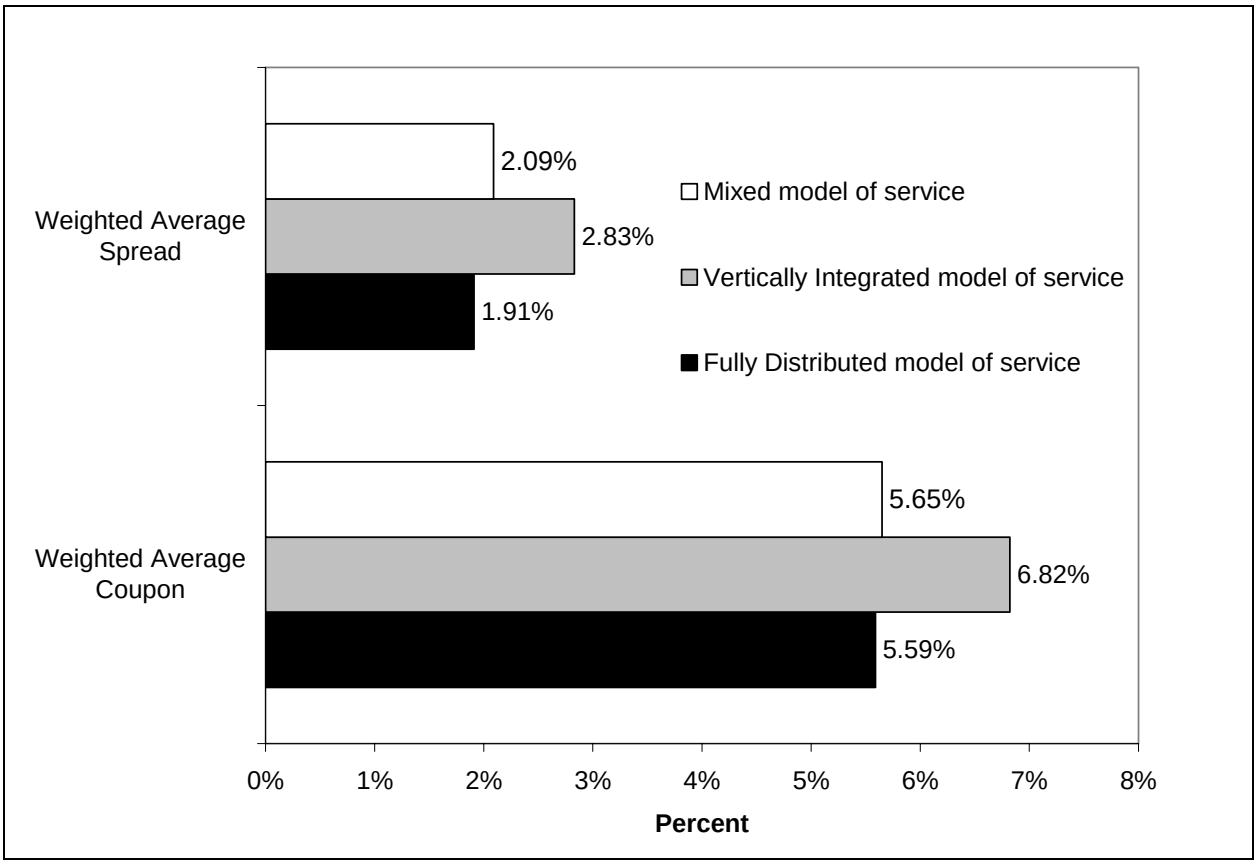

Exhibit Reads: The weighted average coupon for Directly Enhanced acquisition and construction loans supported between FY 2003 and FY 2005 by Fully Distributed Grantees was 5.59 percent, compared to 6.82 percent and 5.65 percent for the same type of Directly Enhanced loans over the same period supported by Vertically Integrated and Mixed Grantees, respectively.

Source: Grantee Annual Performance Reports.

Fully Distributed Grantees, on average, charged a lower spread over comparable term Treasury yields (2.87 percentage points, with a minimum of 1.14 percentage points and a maximum of 5.37 percentage points) for their leasehold improvement loans as compared to Vertically Integrated Grantees (3.68 percentage points, with a minimum of 2.07 percentage points and a maximum of 4.70 percentage points).

Exhibit 5-8: Weighted average spread and coupon for Directly Enhanced leasehold improvement loans supported by Grantees between FY 2003 and FY 2005 by Grantee model of service

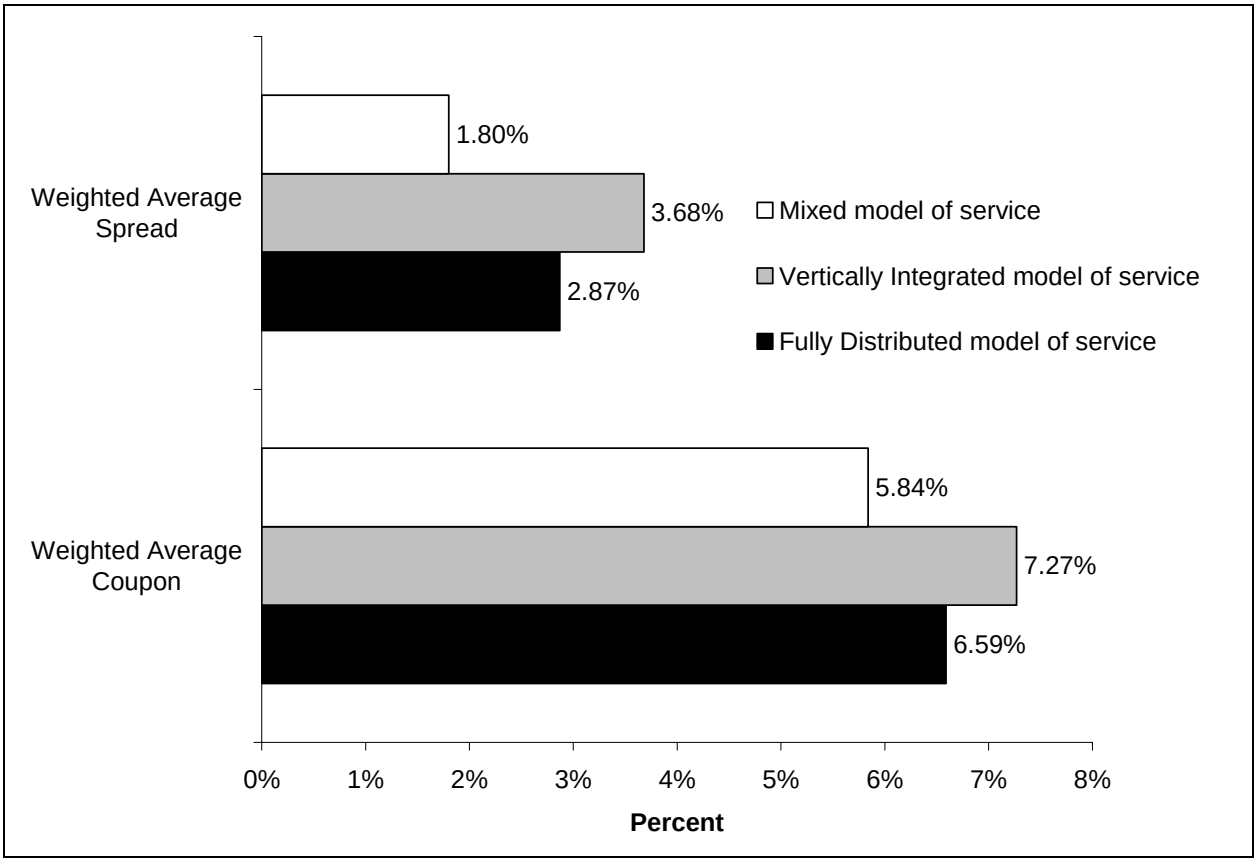

Exhibit Reads: The weighted average coupon for Directly Enhanced leasehold improvement loans supported by Fully Distributed Grantees between FY 2003 and FY 2005 was 6.59 percent, compared to 7.27 percent and 5.84 percent for the same type of Directly Enhanced loans supported over the same period by Vertically Integrated and Mixed Grantees, respectively.

Source: Grantee Annual Performance Reports.

The Grantees using a Fully Distributed model of service charge a guarantee fee to charter schools for the credit enhancement provided for loans made by a third party. Furthermore, the third-party lender often charges an origination fee to assisted schools. The Grantees using a Vertically Integrated model of service do not charge assisted schools a guarantee fee, but they typically charge origination fees. Therefore, when charter schools work with either type of Grantee, they may incur other costs associated with the financing (e.g., origination fees, guarantees, and attorney fees).

It is also possible that assisted schools that receive loans with a credit enhancement from a Fully Distributed Grantee may pay more fees, in total, than those receiving loans directly from Vertically Integrated Grantees. These higher fees, however, do not mean that the total financing costs (which include fees associated with a loan and a loan's interest rate) for schools that receive loans from Fully Distributed Grantees are greater than the total financing costs for loans received from Vertically Integrated Grantees. The credit enhancements provided by Fully

Distributed Grantees may result in lower interest rates than loans made by Vertically Integrated Grantees, and so result in lower total financing costs.

Because assisted schools report data regarding only fees incurred by assisted schools that are paid to Grantees (and not fees paid to third-party lenders), the data for these costs were not available for analysis in this report. Therefore, this report does not include an analysis of fees or total finance costs paid by assisted schools.

Is the Program serving communities with the greatest need for public school choice?

The research team evaluated whether Grantees used selection criteria to choose assisted schools that include the following three factors ED uses to evaluate Program applications:

- The extent to which the applicant selects to serve geographic areas in which a large proportion or number of public schools have been identified for improvement, corrective action, or restructuring under Title I of the *Elementary and Secondary Education Act of 1965*, as amended by the *No Child Left Behind Act*;

- The extent to which the applicant selects to serve geographic areas in which a large proportion of students perform below proficient on state academic assessments; and

- The extent to which the applicant selects to serve communities with large proportions of students from low-income families.

To determine whether Grantees selected service areas in need of school choice, the research team examined the types of criteria Grantees used to select charter schools, and compared these criteria with the same factors that ED uses to evaluate Program applications. To determine whether the Grantees made decisions to assist schools that were consistent with their selection criteria, the research team examined the demographic characteristics of students enrolled in the 84 assisted schools and compared these characteristics to students enrolled in charter schools and the overall U.S. K–12 student population. The analysis also includes a comparison of the economic and demographic characteristics of the Census tracts in which assisted charter schools were located relative to the characteristics of the county in which the assisted school was located.

As detailed below, all but one of the Grantees selects to serve areas that require school choice. In addition, Directly Enhanced loans, on average, were made to charter schools in which lower income and minority students comprise a larger share of enrollment as compared to all charter schools and all U.S. public schools. In addition, the assisted charter schools were located in Census tracts with lower median household incomes and a larger share of minority residents than the counties in which the schools were located.

Proposed Grantee selection criteria for choosing schools to assist

Seven of the eight Grantees use selection criteria that include any of the three following factors: (1) geographic areas in which public schools need improvement, corrective action, or restructuring; (2) geographic areas in which students perform below proficient on state assessments; or (3) communities with a large proportion of students from low-income families (exhibit 5-9).

Four Grantees are using selection criteria that include all three factors. Five Grantees are using selection criteria that include geographic areas in which schools need improvement, corrective action, or restructuring. Six Grantees are using selection criteria that include geographic areas in which students are performing below a proficient level. Six Grantees are using selection criteria based on the income level of an assisted school's surrounding area.

These findings suggest that Grantees were aware of the Program objective to serve communities in need of school choice, and have incorporated this objective into their assisted school selection criteria. As detailed below, the characteristics of students enrolled in schools assisted by Grantees between FY 2003 and FY 2005 and the income of Census tracts in which these schools were located indicate that Grantees were using these selection criteria when making Directly Enhanced loans.

Exhibit 5-9: Summary of Grantee selection criteria for Directly Enhanced loans

Grantee	Geographic areas in which public schools need improvement, corrective action, or restructuring	Geographic areas in which students perform below proficient level on state assessments	Communities with a large proportion of students from low-income families	Other criteria
America's Charter				Match program priorities with the overall national characteristics of charter schools.
CSDC[a]	Target schools in a district where more than 25 percent of public schools have been identified for improvement, based on their inability to meet adequate yearly progress.	Target schools in a district where more than 50 percent of students do not meet the standard of proficiency on the state assessment.	Target schools in a district with 50 percent or more of the student population eligible for free or reduced-price lunch. Target schools within communities identified as low income under the New Market Tax Credit program.	
LIIF	Open to all charter schools in overcrowded and low-performing school districts.	Open to all charter schools in overcrowded and low-performing school districts.	Emphasis on schools in low-income communities.	Target schools in one state.

Exhibit 5-9: Summary of Grantee selection criteria for Directly Enhanced loans (cont.)

Grantee	Geographic areas in which public schools need improvement, corrective action, or restructuring	Geographic areas in which students perform below proficient level on state assessments	Communities with a large proportion of students from low-income families	Other criteria
LISC		Direct 90 percent of the assistance supported by the grant to schools in geographic regions with a high proportion of students offered, or projected to be offered, choice under the *No Child Left Behind Act* (i.e., students residing in areas in which a large proportion of students perform poorly on state academic assessments or in which there are large proportions of low-income students).	Direct 90 percent of the assistance supported by the grant to schools in geographic regions with a high proportion of students offered, or projected to be offered, choice under the *No Child Left Behind Act* (i.e., students residing in areas in which a large proportion of students perform poorly on state academic assessments or in which there are large proportions of low-income students).	

Exhibit 5-9: Summary of Grantee selection criteria for Directly Enhanced loans (cont.)

Grantee	Geographic areas in which public schools need improvement, corrective action, or restructuring	Geographic areas in which students perform below proficient level on state assessments	Communities with a large proportion of students from low-income families	Other criteria
MassDevelopment	Use a scoring method that gives weights to the location of school in districts in which a public school has been identified for improvement, corrective action, or restructuring under the *No Child Left Behind Act*.	Use a scoring method that gives weights to the location of schools in areas in which a large proportion of students perform poorly on state academic assessments.	Use a scoring method that gives weights to the following: • Location in communities with large proportions of low-income students; and • Location of charter school in an economically distressed area.	Target schools in one state. Use the majority of the funds to assist newly established schools and schools that have been in existence for less than five years. Use a scoring method that gives weights to the following: • Smaller size of student population; • Total school revenues; and • The commitment of other public resources to the project.

Exhibit 5-9: Summary of Grantee selection criteria for Directly Enhanced loans (cont.)

Grantee	Geographic areas in which public schools need improvement, corrective action, or restructuring	Geographic areas in which students perform below proficient level on state assessments	Communities with a large proportion of students from low-income families	Other criteria
NCBCI	Program 2: Target at least 70 percent of its funds to poorly performing school districts.	Program 2: Target at least 70 percent of its funds to poorly performing school districts.	Program 1: At least 80 percent of the schools that the Grantee will finance have a majority of students who qualify for free or reduced-price lunches. At least 75 percent of the schools in the Grantee's portfolio will be in low-income areas. Program 2: At least 80 percent of the schools that the funds finance will have a majority of students who qualify for free or reduced-price lunches.	Program 1: Target the Mid-Atlantic states. Program 2: Serve schools in Florida, Georgia, Minnesota, and Wisconsin.
RDF	Target neighborhoods where the closest regular public school is identified as being under-performing by the state or as being subject to improvement, corrective action, or restructuring under the *No Child Left Behind Act*.		Target communities with low or low-to-median incomes, and students from minority groups.	

Exhibit 5-9: Summary of Grantee selection criteria for Directly Enhanced loans (cont.)

Grantee	Geographic areas in which public schools need improvement, corrective action, or restructuring	Geographic areas in which students perform below proficient level on state assessments	Communities with a large proportion of students from low-income families	Other criteria
Self Help[b]		Schools serve underserved constituencies, such as students with a history of low academic performance.		Service high-need communities by focusing lending activity primarily, but not exclusively, in six southern states (North Carolina, Florida, Georgia, Tennessee, Texas, and South Carolina). Schools serve underserved constituencies, such as communities of color, rural or inner city communities. Schools cannot afford a conventional down payment or lack substantial financial backing. The pledged collateral is weak or the Charter School is leasing its facility. School is a start-up or is too young to have been through a charter renewal.

Notes: a. 50 percent of assisted schools must meet one of the listed criteria.
b. Assisted schools must be in one of the six states and meet at least one of the remaining criteria.
Sources: Grantee Annual Performance Reports and Grantee applications.

Demographic characteristics of assisted schools

The assisted schools were in 20 states and Washington, D.C. (exhibit 5-10). Arizona had the most assisted schools, with 11, followed by California and Washington, D.C., which both had 10 schools. North Carolina had nine assisted schools and Massachusetts had eight assisted schools.

Exhibit 5-10: Number of assisted schools, enrollment, and percent of students eligible for free and reduced-price lunches by state

	Number of assisted schools	Enrollment	Percent of students eligible for free and reduced-price lunch
Arizona	11	2,889	31.7%
California	10	3,615	58.4%
Washington, D.C.	10	2,952	77.3%
North Carolina	9	2,859	68.1%
Massachusetts	8	1,737	35.2%
Indiana	6	1,728	44.0%
New York	6	1,107	82.9%
Minnesota	4	471	62.4%
Colorado	3	940	43.7%
Pennsylvania	3	1,834	83.0%
Florida	2	233	32.2%
Texas	2	699	80.1%
New Jersey	2	576	73.4%
Arkansas	1	410	16.3%
Idaho	1	Not reported	N/A
Michigan	1	150	35.3%
Missouri	1	336	36.6%
New Mexico	1	92	0.0%†
Nevada	1	189	91.0%
Tennessee	1	270	76.7%
Oregon	1	75	86.7%
Total	84	23,162	58.9%

Exhibit Reads: Arizona had the largest number of schools (11) assisted by the Grantees between FY 2003 and FY 2005.

†There is only one assisted school in New Mexico. The Grantee of this assisted school reported that no students in this school were eligible for free and reduced-price lunches.
Note: States in this exhibit are presented in the order of the number of assisted schools.
Source: Grantee Annual Performance Reports geocoded by the authors.

These five states had nearly 60 percent of all of the schools assisted by the Program and over 60 percent of all students enrolled in assisted schools. Over half of the students in assisted schools were eligible for free and reduced-price lunch.

The 23,162 students enrolled in the 84 charter schools assisted between FY 2003 and FY 2005 were more likely to be from lower income and minority families than students enrolled in all charter schools and students enrolled in all public schools. Fifty-nine percent of students enrolled

in assisted charter schools were eligible for free or reduced-price lunches, compared to 39 percent of all U.S. students in public school and 44 percent of all charter school students.

Students enrolled in assisted schools are more likely to be minorities than those in all charter schools and all public schools (exhibit 5-11). African-American students account for 45 percent of students in the assisted charter schools compared to 17 percent in U.S. public schools 31 percent in all charter schools. Hispanic students comprise 29 percent of students in assisted charter schools, compared to 22 percent in all charter schools and 19 percent in all U.S. public schools.

Exhibit 5-11: Racial and ethnic composition of students enrolled in schools assisted under the Program between FY 2003 and FY 2005, all charter schools, and all U.S. public schools

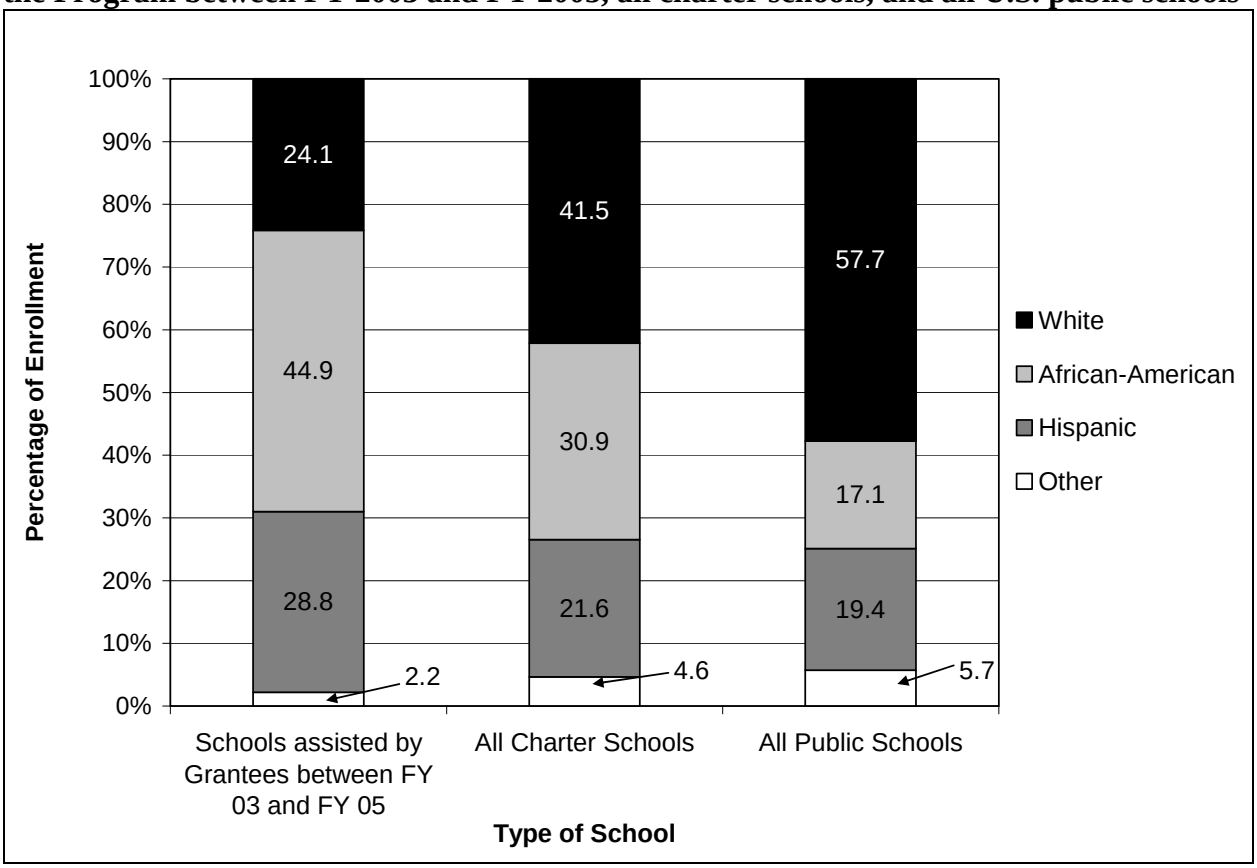

Exhibit Reads: The proportion of white students in schools assisted by Grantees between FY 2003 and FY 2005 was 24 percent; the proportion of such students in all charter schools was 42 percent and in all public schools was 58 percent.

Sources: 1. Information related to assisted schools: Grantee Annual Performance Reports.
2. Information related to all charter and public schools in the United States: Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2004–05 (Preliminary) at http://nces.ed.gov/ccd/bat.

Social and economic characteristics of counties containing assisted schools

Using address information, each assisted school was geocoded to a Census tract and county. The Census tracts, in which assisted schools were located, on average, had a lower socioeconomic status than the county in which the schools were located. As of 2000, the average median household income for tracts that contain assisted schools was $36,000, or 83 percent of the average $43,000 median household income of all assisted schools' counties. The variation of the median household income of Census tracts for assisted schools is illustrated in the maps presented in exhibit 5-12 through exhibit 5-15. These exhibits map the location of all schools assisted by Grantees in five counties—Los Angeles (which contains the city of Los Angeles), Hennepin County (which contains Minneapolis), Ramsey County (which contains St. Paul), Philadelphia (which is a county equivalent and contains the city of Philadelphia) and Washington, D.C. (the county equivalent that contains the city). These counties had the largest number of assisted schools (24 of 84 schools) among the 47 counties that contain a school assisted by a Grantee between FY 2003 and FY 2005. The maps also show the location of all charter schools and public schools in the county. In addition to the locations of the three types of schools, the maps show the median household income of all the Census tracts in a county as of the 2000 Census.

Assisted schools in Los Angeles County were mostly in the central portion of the county, which contains the lowest income Census tracts (exhibit 5-12). Charter schools in Hennepin County (which contains Minneapolis) and Ramsey County (which contains St. Paul) were generally in Census tracts with median household incomes within the lowest quintile in the area (exhibit 5-13). Charter schools in Philadelphia were largely in the southern portion of the city, which contains Census tracts generally with a median household income within the middle quintile (exhibit 5-14). The assisted charter schools were also located in the northeastern and central portions of the city (where the median household incomes were similar to southern Philadelphia), in which there were no other charter schools. The assisted schools within Washington, D.C., were in areas with a range of incomes, from the southeastern part of the city, which has Census tracts in the lowest income quintile, to areas in the northwestern portion, which has higher income levels.

Exhibit 5-12: The median household income, as of 2000, for Los Angeles County Census tracts, the location of schools assisted by Grantees between FY 2003 and FY 2005, all charter schools, and all public schools

Exhibit Reads: Schools in Los Angeles County assisted by Grantees between FY 2003 and FY 2005 were in Census tracts that had a median household income, as of the 2000 Census, in the lowest quintile.

Sources: 1. Information related to assisted schools: Grantee Annual Performance Reports.
2. Information related to all charter and public schools in United States: Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2004–05 (Preliminary) at http://nces.ed.gov/ccd/bat.

Exhibit 5-13: The median household income, as of 2000, for Hennepin County and Ramsey County Census tracts, the location of schools assisted by Grantees between FY 2003 and FY 2005, all charter schools, and all public schools

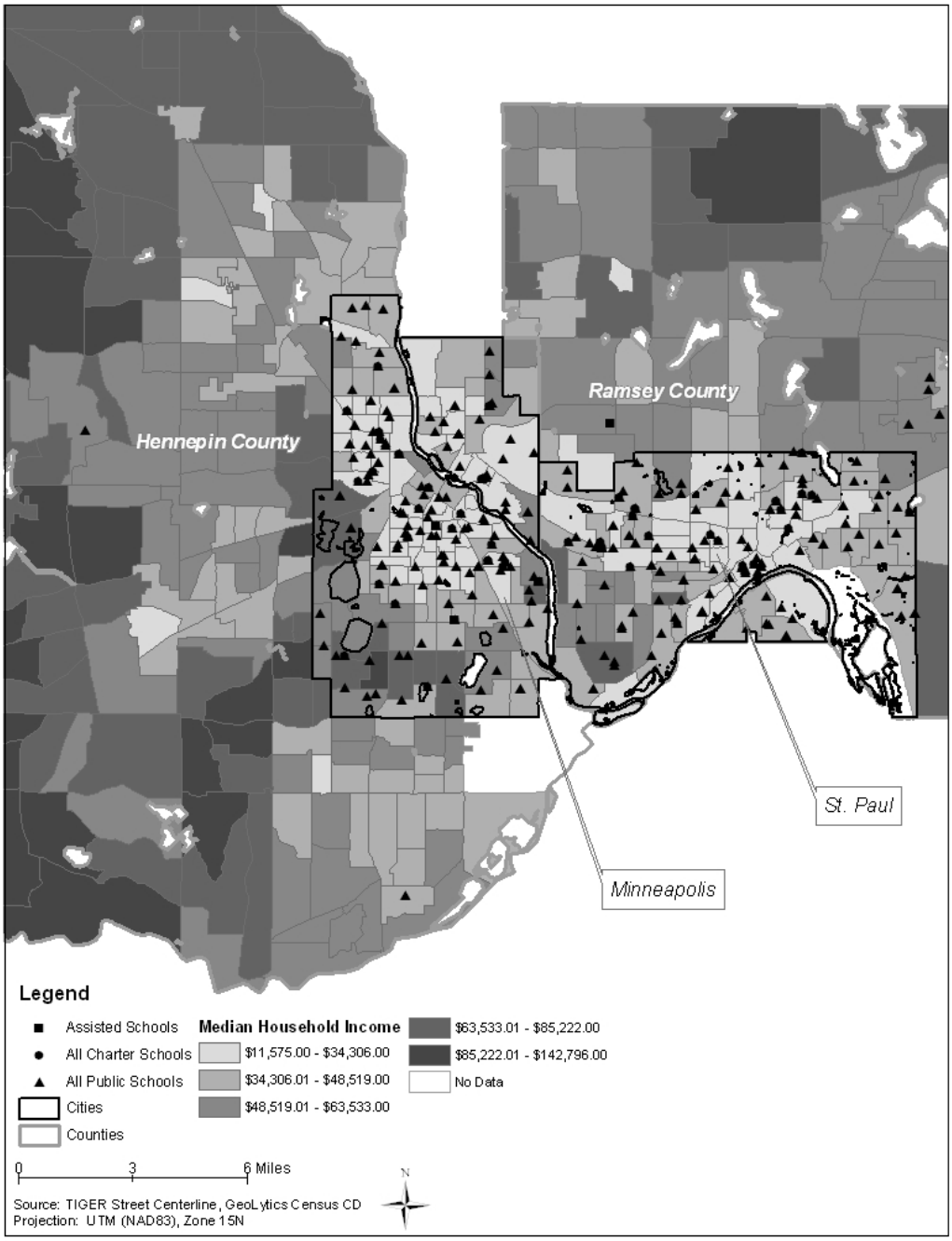

Exhibit Reads: Schools in Hennepin (Minneapolis) and Ramsey (St. Paul) counties assisted by Grantees between FY 2003 and FY 2005 were in Census tracts that had a median household income, as of the 2000 Census, in the lowest quintile.

Sources: 1. Information related to assisted schools: Grantee Annual Performance Reports.
2. Information related to all charter and public schools in the United States: Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2004–05 (Preliminary) at http://nces.ed.gov/ccd/bat.

Exhibit 5-14: The median household income, as of 2000, for Philadelphia County Census tracts, the location of schools assisted by Grantees between FY 2003 and FY 2005, all charter schools, and all public schools

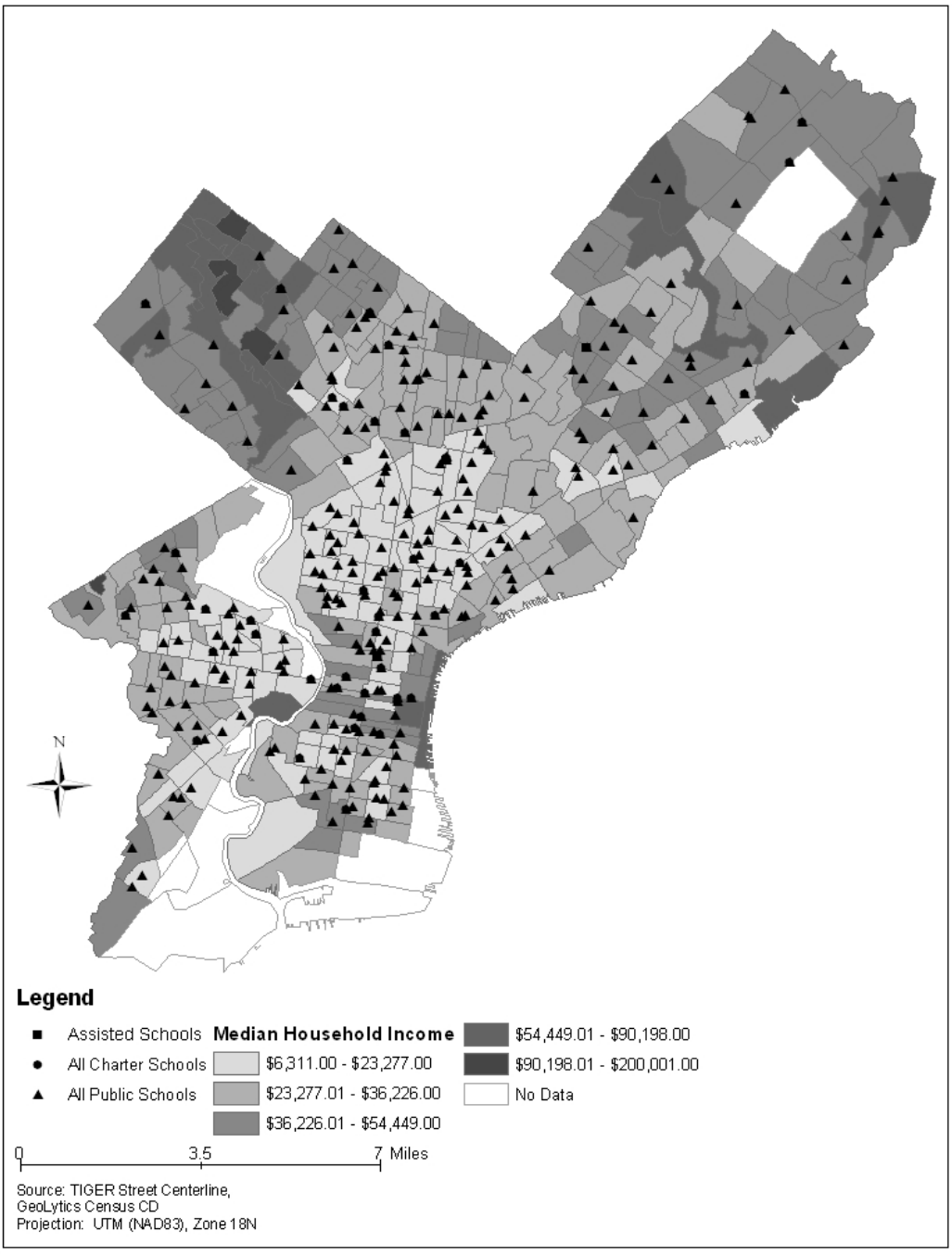

Exhibit Reads: Schools in Philadelphia County assisted by Grantees between FY 2003 and FY 2005 were in Census tracts that had a median household income, as of the 2000 Census, in the lowest quintile.

Sources: 1. Information related to assisted schools: Grantee Annual Performance Reports.
2. Information related to all charter and public schools in the United States: Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2004–05 (Preliminary) at http://nces.ed.gov/ccd/bat.

Exhibit 5-15: The median household income, as of 2000, for Washington, D.C., Census tracts, the location of schools assisted by Grantees between FY 2003 and FY 2005, all charter schools, and all public schools

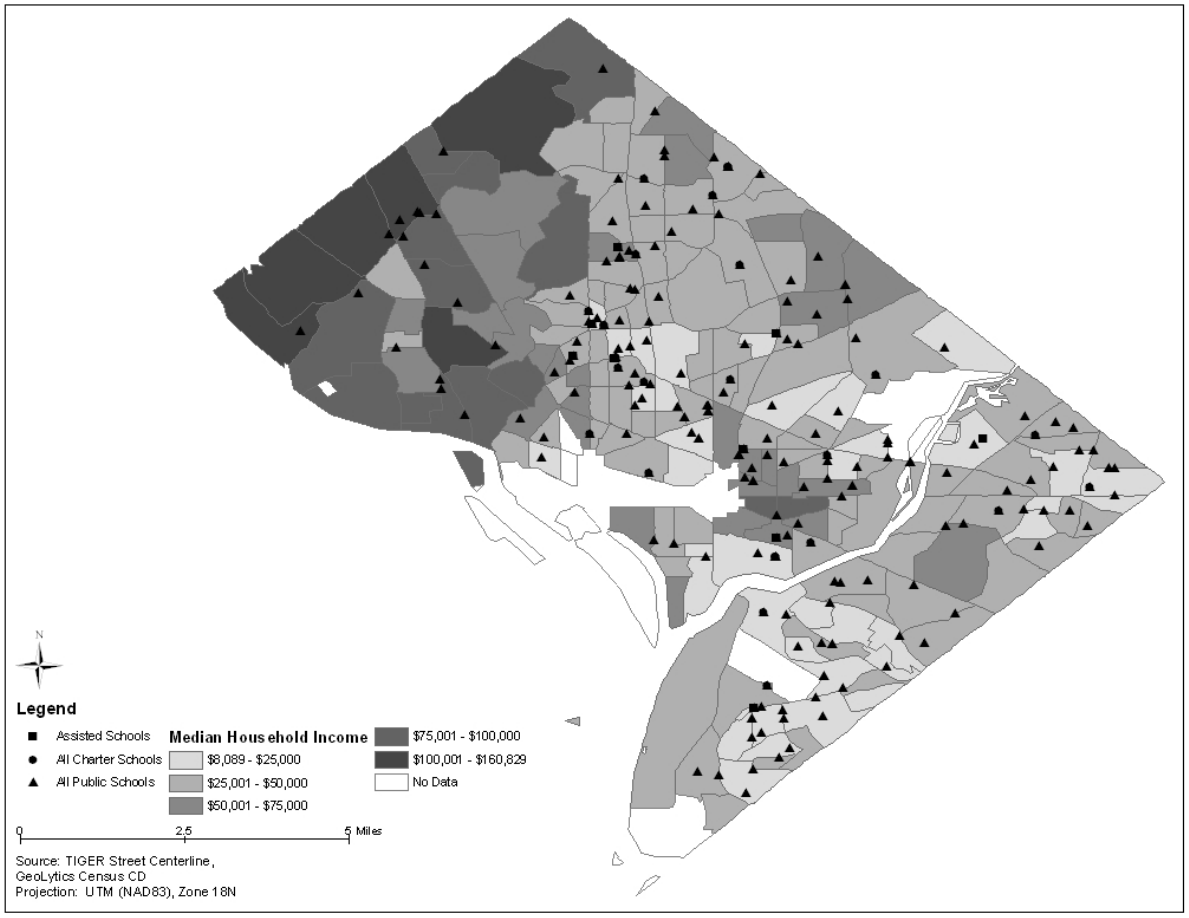

Exhibit Reads: Schools in Washington, D.C. assisted by Grantees between FY 2003 and FY 2005 were in Census tracts that had a median household income, as of the 2000 Census, in the lowest quintile.

Sources: 1. Information related to assisted schools: Grantee Annual Performance Reports.
2. Information related to all charter and public schools in the United States: Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2004–05 (Preliminary) at http://nces.ed.gov/ccd/bat.

Consistent with lower household incomes, assisted schools were located in Census tracts with, on average, higher poverty rates than the counties in which they were located (exhibit 5-16). Overall, the average poverty rate for tracts in which assisted schools were located was 20.6 percent as compared to 13.8 percent for the counties in which assisted schools were located. Also consistent with lower incomes, the proportion of residents on public assistance in tracts with assisted schools (6.7 percent) was greater than the overall proportion of counties in which assisted schools were located (4.2 percent).

Assisted schools were located in tracts in which the proportion of residents younger than 18 was about the same as the counties in which they were located, but where the proportion of minority residents was greater. White, non-Hispanic account for about one-half of residents in tracts that

contain assisted schools, compared with slightly more than two-thirds of residents in counties that contain assisted schools (exhibit 5-16).

Exhibit 5-16: Selected characteristics of Census tracts and counties, as of the 2000 U.S. Census, with schools assisted by Grantees between FY 2003 and FY 2005

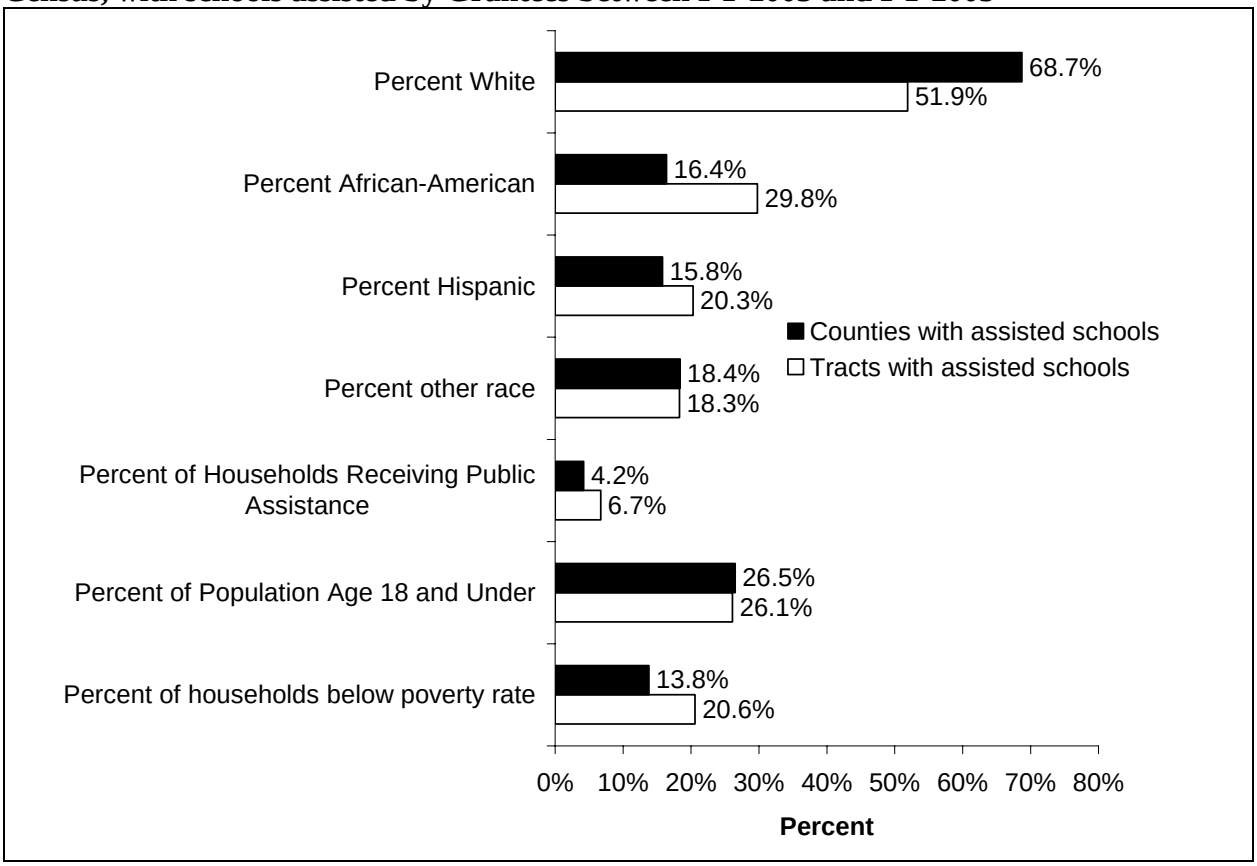

Exhibit Reads: The average poverty rate for Census tracts in which assisted schools were located was 20.6 percent. The average poverty rate for counties in which assisted schools were located was 13.8 percent.

Note: The data used to prepare the information in this exhibit are presented in Appendix D.
Sources: 1. Location of schools: Grantee Annual Performance Reports geocoded by the authors.
2. Characteristics of Census tracts and counties in which assisted schools were located: U.S. Census 2000

Use of loan funds by assisted schools

The following discussion provides profiles of the eight assisted schools interviewed for this study. These profiles offer more details about the schools assisted by the Program, and how these schools use loans made possible by the Program to improve their facilities. The profiles include information provided by school representatives during interviews with the research team and so, to retain confidentiality, the school names are not included.

Each profile includes information about the school's enrollment, demographic characteristics of the school's county, and the level of educational need in the school's county, as defined by the Educational Needs Index.[15] The Educational Needs Index, which uses county-level Census data to classify that area's level of educational need, is a county-level study of educational, economic, and population pressures that influence educational policy and planning at local, regional, and state levels.

The experiences of the eight charter schools illustrate how the Program assists charter schools in overcoming common facilities-related challenges. In nearly every case the assisted charter school did not have space that could accommodate enrollment growth or allow the school to deliver a complete range of educational services. Because the assisted schools did not have a long operating history (none of the eight schools were in operation for more than four years before receiving its loan), or were start-ups, they could not qualify for a loan from a commercial lender.

In some cases the assisted schools received their loan directly from a Grantee. Other schools used Program-funded enhancements so that they could be approved for a commercial loan or sell a bond. In all eight cases the credit enhancement allowed the Grantee to make financing possible for the assisted school.

[15] The Educational Needs Index (ENI) includes 15 county-level variables that affect participation rates in postsecondary education, educational attainment levels, employment patterns, and socioeconomic status. Through an econometric model that uses these data, the ENI classifies counties as "most critical" when relatively poor conditions of under-education and economic challenges are compounded by population growth and shifting demographics toward youths or at-risk minority groups. http://www.educationalneedsindex.com/methodology.php.

Assisted School #1

Assisted by:	NCBCI
School characteristics when the loan was closed (FY 2003):	
Years in operation:	5
Enrollment:	192
Grades served:	Grades 5 to 8
Student racial composition:	0% White 52% African-American 0% Asian 0% American Indian 48% Hispanic
Percent of students eligible for free or reduced-price lunches:	90%
Percent of students in special education:	5%
Percent of students with limited English proficiency:	0%
County characteristics (in 2000):	
County:	Bronx, N.Y.
Educational Needs Index:	Most critical
Median household income:	$29,364
Percent of residents in poverty:	31%
Percent of households receiving public assistance:	15%
Racial/ethnic composition:	30% White 36% African-American 1% American Indian 34% other race
Percent of residents Hispanic:	48%
Percent of population 18 or younger:	31%

Use of Directly Enhanced loan proceeds:

During the first four years, the school operated out of a space that it rented from a Catholic church. The church space was sufficient for the school's enrollment of 100 students at the time, but did not allow for any enrollment growth. The school leased a parcel of land from the City of New York and completed plans for a new campus to accommodate more students than could be served in its rented space. The school developed plans for an $18 million, 40,000-square-foot facility. Because it was unable to raise all of the funds required to build the facility, the school developed the property in two phases. The school used its $4 million Directly Enhanced loan to complete the first phase. The school, based on its successful track record, was able to raise $12 million in contributions to support the second phase of construction. The campus is now complete and will eventually accommodate 700–800 students in grades 5–12.

Assisted School #2

Assisted by:	LISC
School characteristics when the loan was closed (FY 2003):	
Years in operation:	Start-up
Enrollment:	Will serve 400 students at full enrollment
Grades served:	Will serve grades 6–8 at full enrollment
Student racial/ethnic composition:	Not available
Percent of students eligible for free or reduced-price lunches:	Not available
Percent of students in special education:	Not available
Percent of students with limited English proficiency:	Not available
County characteristics (in 2000):	
County:	Los Angeles, Calif.
Educational Needs Index:	Most critical
Median household income:	$46,493
Percent of residents in poverty:	18%
Percent of households receiving public assistance:	6%
Racial/ethnic composition:	49% White 10% African-American 1% American Indian 41% other race
Percent of residents Hispanic:	45%
Percent of population 18 or younger:	29%

Use of Directly Enhanced loan proceeds:

The school was founded in August 2000 by a local community development corporation that operates in one of the poorest and most densely populated neighborhoods in Los Angeles. The school was operating an elementary school for a year prior to seeking a middle school charter. The $1.5 million Directly Enhanced loan financed a $4 million middle school. The school, based on its track record and financial strength, is now able to refinance the Directly Enhanced loan with a conventional commercial loan without any credit enhancement. The school, when it refinances the Directly Enhanced loan, will take cash out to construct a preschool for 240 four-year-olds.

Assisted School #3

Assisted by:	America's Charter
School characteristics when the loan was closed (FY 2003):	
Years in operation:	3
Enrollment:	180
Grades served:	Pre-K to 7
Student racial/ethnic composition:	29% White 46% African-American 22% Hispanic 0% Asian 0% American Indian
Percent of students eligible for free or reduced-price lunches:	49%
Percent of students in special education:	15%
Percent of students with limited English proficiency:	6%
County characteristics (in 2000):	
County:	Washington, D.C.
Educational Needs Index:	Not available
Median household income:	$41,625
Percent of residents in poverty:	20%
Percent of households receiving public assistance:	6%
Racial/ethnic composition:	31% White 60% African-American 0% American Indian 9% other race
Percent of residents Hispanic:	8%
Percent of population 18 or younger:	22%

Use of Directly Enhanced loan proceeds:

The school was founded in 2000 by a group of parents working with teachers and other education professionals to create a school dedicated to the best practices in education reform. The school opened in the fall of 2000 in a rented space over a drugstore. Because this space was not adequate, the school purchased a former church. This space needed to be remodeled from a 12,000 square-foot church into a 32,000 square-foot educational facility. The total costs associated with this project were $6.25 million. The school financed $4.85 million from bonds issued by the Washington, D.C., government. The credit enhancement was necessary because the property was a single-purpose entity, and so the appraised value was not 85 percent of the value of the bond, which investors required to purchase the bond. The school raised the remaining $1.4 million from donations. The facility, according to a representative of the school, is essential to provide educational services and is helpful in attracting students and retaining faculty.

Assisted School #4

Assisted by:	Self-Help
School characteristics when the loan was closed (FY 2003):	
Years in operation:	2
Enrollment:	154
Grades served:	K to 4
Student racial/ethnic composition:	60% White 27% African-American 3% Asian 1% American Indian 10% Hispanic
Percent of students eligible for free or reduced-price lunches:	Not available
Percent of students in special education:	0%
Percent of students with limited English proficiency:	1%
County characteristics (in 2000):	
County:	Durham, N.C.
Educational Needs Index:	Less critical
Median household income:	$41,333
Percent of residents in poverty:	13%
Percent of households receiving public assistance:	3%
Racial/ethnic composition:	51% White 39% African-American 0% American Indian 9% other race
Percent of residents Hispanic:	8%
Percent of population 18 or younger:	24%

Use of Directly Enhanced loan proceeds:

The school received its charter in February 2002 and started operations in July 2003. It operates in Durham, N.C., in a neighborhood that is experiencing reinvestment and economic development. The school's staff took a planning year between February 2002 and July 2003.

The school received its Directly Enhanced loan in two phases. In the first phase the school used $415,000 to renovate a space that the school was leasing in an old Army Reserve building. The renovations included installation of bathrooms, a firewall, and other changes necessary to get the building up to code. At the time, the school had a long-term lease and served 100 K–2 students on only the first floor of a 28,000 square-foot building. Given projected enrollments, the school could operate on the first floor for two years. To accommodate more enrollment growth, the school received the balance of the Directly Enhanced loan and with the proceeds bought the building and renovated the second floor to accommodate K–5 students.

Assisted School #5

Assisted by:	CSDC
School characteristics when the loan was closed (FY 2004):	
Years in operation:	1
Enrollment:	82
Grades served:	9 to 10
Student racial/ethnic composition:	48% White 6% African-American 4% Asian 6% American Indian 37% Hispanic
Percent of students eligible for free or reduced-price lunches:	60%
Percent of students in special education:	5%
Percent of students with limited English proficiency:	0%
County characteristics (in 2000):	
County:	Pima, Ariz.
Educational Needs Index:	Most critical
Median household income:	$40,831
Percent of residents in poverty:	15%
Percent of households receiving public assistance:	3%
Racial/ethnic composition:	75% White 3% African-American 3% American Indian 19% other race
Percent of residents Hispanic:	29%
Percent of population 18 or younger:	26%

Use of Directly Enhanced loan proceeds:

The school was a start-up organization at the time it received its Directly Enhanced loan. The school identified commercial space in which to open for the 2004–05 school year. It secured a leasehold improvement loan from a bank to complete $500,000 worth of renovations to a 23,000-square-foot property that was a shop in the 1940s. The school leased two full stories and a basement. The school funded these improvements with a $400,000 Directly Enhanced loan and $100,000 raised from donors. A credit enhancement was necessary because the building's owner would not permit the lender that made the leasehold improvement loan to have a lien on the property. A Grantee pledged a certificate of deposit as partial collateral for the loan, which allowed the lender to make the initial $400,000 loan. With the $500,000, the school was able to complete improvements to the property's upper floor and created, in a 9,000 square-foot area, eight classrooms and a cafeteria. In the remaining parts of the building, the school has completed infrastructure improvements so that the property conforms to local building codes. The school is gearing up for a Phase II project in which it would renovate the basement and first floor for the school's use. The cost of this phase is expected to be about $400,000.

Assisted School #6

Assisted by:	RDF
School characteristics when the loan was closed (FY 2005):	
Years in operation:	1
Enrollment:	180
Grades served:	7 to 9
Student racial/ethnic composition:	43% White 55% African-American 3% Asian 0% American Indian 8% Hispanic
Percent of students eligible for free or reduced-price lunches:	43%
Percent of students in special education:	21%
Percent of students with limited English proficiency:	3%
County characteristics (in 2000):	
County:	Middlesex, Mass.
Educational Needs Index:	Less critical
Median household income:	$64,854
Percent of residents in poverty:	7%
Percent of households receiving public assistance:	2%
Racial/ethnic composition:	86% White 3% African-American 0% American Indian 11% other race
Percent of residents Hispanic:	5%
Percent of population 18 or younger:	24%

Use of Directly Enhanced loan proceeds:

The school started operations in August 2005 in Cambridge, Mass. Prior to starting operations, the school's staff looked for space in that city. Due to a low vacancy rate, few properties were available for rent. The school eventually found 30,000 square feet of space to lease: 20,000 square feet in one building and 10,000 square feet in a building across a parking lot from the larger space.

The school received a $750,000 Directly Enhanced loan even though it was a start-up organization. The Grantee provided the loan to be disbursed in two phases. In the first phase, the school received $445,000 from the Grantee as part of a $550,000 project to improve the larger 20,000 square-foot space. The school operates in classrooms and administrative offices on four floors of the 20,000 square-foot building. This layout, according to a school representative, provides a different spatial experience for students. The school will use the $235,000 balance of the Directly Enhanced loan to renovate the 10,000 square foot building.

Assisted School #7

Assisted by:	CSDC
School characteristics when the loan was closed (FY 2003):	
Years in operation:	4
Enrollment:	340
Grades served:	K to 8
Student racial/ethnic composition:	84% White 10% African-American 1% Asian 1% American Indian 2% Hispanic
Percent of students eligible for free or reduced-price lunches:	22%
Percent of students in special education:	16%
Percent of students with limited English proficiency:	0%
County characteristics (in 2000):	
County:	Buncombe, N.C.
Educational Needs Index:	Less critical
Median household income:	$36,124
Percent of residents in poverty:	11%
Percent of households receiving public assistance:	3%
Racial/ethnic composition:	89% White 7% African-American 0% American Indian 3% other race
Percent of residents Hispanic:	3%
Percent of population 18 or younger:	23%

Use of Directly Enhanced loan proceeds:

The school was founded in 1999 with the assistance of a $36,000 start-up grant from the state of North Carolina. These funds were used to place a deposit on a space in a local strip mall. During the time the school was in this space, it continued to look for a permanent location. A local bank had a lien on a vacant school property owned by a parochial school that had relocated to another site. The bank that had a lien on the property was willing to make a loan to the charter school for an amount equivalent to 80 percent of the purchase price.

The school did not have sufficient resources for the remaining 20 percent. As a result, a Grantee provided a credit enhancement for a loan from the lender with a lien on the property, and the school received another loan, subordinate to the Directly Enhanced loan, for the remaining amount of the $1.6 million purchase price. The school, once it relocated from the strip mall, expanded from 270 to 364 students. In addition, the space allows the school to offer an on-site daycare for staff. The new space allows for more extensive sports facilities, including a soccer field and playgrounds. In addition, the school now has science labs and an expanded computer lab. Moreover, the new location is in a park-like campus setting, which allows the school to provide hands-on classes related to its environmental curriculum.

Assisted School #8

Assisted by:	NCBCI
School characteristics when the loan was closed (FY 2003):	
Years in operation:	4
Enrollment:	916
Grades served:	1 to 12
Student racial/ethnic composition:	1% White 98% African-American 0% Asian 0% American Indian 1% Hispanic
Percent of students eligible for free or reduced-price lunches:	75%
Percent of students in special education:	4%
Percent of students with limited English proficiency:	0%
County characteristics (in 2000):	
County	Philadelphia, Pa.
Educational Needs Index:	Most critical
Median household income:	23%
Percent of households receiving public assistance:	8%
Racial/ethnic composition:	45% White 43% African-American 0% American Indian 12% other race
Percent of residents Hispanic:	9%
Percent of population 18 or younger:	27%

Use of Directly Enhanced loan proceeds:

Located in Philadelphia, the school, prior to receiving its Directly Enhanced loan from a Grantee, was renting space for five years. The school used the loan proceeds to purchase the building it was renting and a parcel next to the building, on which it constructed classrooms with modular building technology. The school financed the entire $2.1 million cost from a Grantee loan.

The space created with the loan proceeds allowed the school to add additional science labs and classrooms. Seniors use the labs for projects. In addition, the additional space allows the school to have a mini-courtroom that students who are taking classes in the school's law curriculum use under supervision of a lawyer who provides instruction.

Note: Level of educational needs of county provided by www.educationalneedsindex.com.
Sources: Grantee Annual Performance Reports, assisted school Web sites, and interviews.

What is the evidence of innovative methods?

The Program emphasizes that organizations that receive grants will use innovative methods to facilitate loans to charter schools. There is no industry standard as to what constitutes an innovative method. However, one study (Hassel and Esser 2004) identified five types of innovative methods that provided a useful framework for describing the approaches that assisted schools used to either acquire or construct their own facility or to improve a leased facility:

1. Direct borrowing on the private market;

2. Sale or lease of existing facilities;

3. Cost-saving solutions such as space sharing with community agencies and higher education institutions;

4. New uses of community resources or use of distance education; and

5. New forms of organizational arrangements such as establishing real estate trusts and intermediaries.

The information used in this analysis was drawn from the loan-level data provided by Grantees in their Annual Performance Reports and the observations of Grantee and representatives of assisted schools.

Direct borrowing on the private market

As discussed, Grantees and assisted school representatives reported that assisted schools typically did not have sufficient equity or a long enough operating history to meet the underwriting standards of commercial lenders and bond issuers. Grantees that operate a Fully Distributed model provide credit enhancements to make loans more attractive to third-party lenders, oftentimes commercial banks. As a result, charter schools assisted by Program Grantees were able to borrow directly from the private market.

Grantees, with their Program funds, were able to attract capital from sources that have not been widely used to support charter school lending. One Grantee makes Directly Enhanced loans on behalf of a third party, which received a $36 million New Market Tax Credit allocation. This relationship allows charter schools to receive loans funded by the New Market Tax Credit program, which was a new source of capital. Another Grantee has been able to combine the credit enhancements available under the Program with the U.S. Department of Agriculture's Community Facilities program, which makes available credit enhancements in the form of a guarantee of 90 percent of the loan amount for public schools (among other uses) in communities with populations under 20,000 (U.S. Department of Agriculture).

Cost-saving solutions such as space sharing

In some cases Grantees used innovative real estate solutions that created opportunities for charter schools to share space until they could purchase a building. A Grantee negotiated an agreement to purchase a 23,500 square-foot facility and obtained the necessary $2.425 million to renovate the building and turn it into classrooms, administrative offices, and a multipurpose space for two charter schools that operated in the building. One school moved into its own facility, and the other school will purchase the property soon.

New forms of organizational arrangements such as real estate trusts and intermediaries

Grantees had not yet established new intermediaries or real estate investment trusts, but the volume of Directly Enhanced lending made by the Grantees has now reached sufficient size that some of them, along with investment banks, are exploring the possibility of establishing a cooperatively owned, nonprofit conduit. This entity would purchase Directly Enhanced loans, aggregate them, and create asset-backed securities that use the cash flows from assisted charter school loan repayments to finance bonds issued by the conduit. In addition, Grantees are exploring the possibility of creating a multistate bond issuer, which could reduce fees paid by charter schools that issue bonds.

This model, in which an intermediary aggregates loans and creates asset-backed securities, is well established for mortgage and commercial loans. And some charter school bonds have been aggregated as part of a larger issuance. Therefore, there is precedence for creating asset-backed securities that use charter school loans as collateral.

In summary, charter schools assisted under the Program typically did not have sufficient equity or a long enough operating history to meet the underwriting standards of commercial lenders and bond issuers. Therefore, Grantees used Program funds creatively to attract lenders and investors to fund loans. These loans, according to commercial lenders, Grantees, and assisted school representatives would likely not have been made without the enhancement. Some Grantees were able to use funds made available through the New Markets Tax Credit program to fund charter school loans, which is a new source of liquidity for this type of lending.

Moreover, as a result of the lending volume facilitated by Grantees, investment bankers and other industry participants are now examining the potential for creating a secondary market for the Directly Enhanced loans. Such a market would allow Grantees and other lenders to recapitalize and use the proceeds for even more charter school lending. If successful, a secondary market for charter school loans could, as with residential and commercial mortgages, provide a significant and efficient source of liquidity in the future.

What are the major issues with Program implementation?

One of the purposes of this study is to collect information from Grantees and assisted schools about their experiences with the Program and invite suggestions about potential improvements. To collect such observations, research team members, in their discussions with a Grantee representative, asked the following questions regarding Grantees' experiences with the program:

- What were the greatest challenges that your organization faced when implementing the Program?
- What did your organization do to overcome these challenges?
- What changes would your organization like to see to the Program?
- How would your organization's ability to serve charter schools change if the suggested changes to the Program were implemented?
- Knowing what you now know, would you submit another Program application?

All questions were open-ended to allow interviewees to raise the issues that they believed were the most important, given their experiences with the Program. As detailed below, assisted charters expressed satisfaction with the Program. Grantees expressed concerns primarily about the administrative costs of operating the program, but despite concerns, only one will not apply again for Program funds.

How Grantees view the Program

Grantees were positive about the Program; eight of the nine Grantees indicated that they would apply for Program funds in the future.

As discussed earlier, the Program requires Grantees to prepare Annual Performance Reports that provide ED with information about the loans supported by the Program and a narrative discussion of the Grantee's activities. Grantees are required to submit annual performance reports under ED's generic grant regulations and under this Program's statute. Some of the components are mandated by the statute and some are required by ED. In addition, Grantees respond to questions that ED asks from time to time as part of its oversight responsibility to ensure that funds were being used in ways that support the Program's objectives. A major implementation challenge raised by every Grantee was that the Program's statute caps administrative costs at one-quarter of one percent of the grant amount. Grantees indicated that their costs to complete reports required by statute are greater than allowed for by the Program's statutory cap and so were financing some administrative costs from other sources. To resolve this problem, Grantees indicated that they would like the statutory cap increased, or that they be allowed to generate more fees or other Program income, which could be used to fund administrative activities.

The Program's one-quarter of 1 percent statutory cap is low when compared to ED's State Charter School Facilities Incentive grants program, which allows grant recipients to charge administrative costs up to 5 percentage points of the grant amount (Title V, Part B, Subpart 1 of the *Elementary and Secondary Education Act of 1965*, as amended by the *No Child Left Behind Act* § 5204(f)(4)).

In addition to the administrative cap, Grantees indicated that other Program statutory restrictions could be changed to allow them to support a greater number of charter schools. A Grantee indicated that it could earn more income if it could use Program funds as a source of charter school loans, rather than being restricted to placing these funds in a reserve fund. Another Grantee indicated that the Program should be changed so that Grantees could support predevelopment loans, which many charter schools need to establish plans to acquire or rehabilitate facilities. Predevelopment loans are loans that a school might obtain to pay for the cost of determining whether a site is suitable for development, such as a study to determine whether a site is contaminated with environmental hazards.

Grantee concerns and recommendations concerning administrative costs should be taken in the context of their expressed overall level of satisfaction with the Program. Additional research, beyond the scope of this study, would be required to (1) assess the extent of these perceived problems; (2) identify potential changes, if any, to the reporting requirements that would reduce costs to Program fund recipients and still provide ED with information needed for effective oversight; and (3) evaluate the potential benefits of increasing the administrative fee provided by the Program's statute. In addition, ED indicates that it has proposed making several changes to the reporting requirements under the Program that would reduce the amount of time Grantees spend completing reports.

How assisted schools view the Program

Assisted charter schools were generally satisfied with the Program. Only one assisted school expressed any criticism or concern at all during interviews. This representative stated that a Grantee was slow to provide disclosure information, and suggested that Grantees be required to make disclosures well in advance of the date in which the loan is made. All of the assisted schools, including the one with the concern, indicated that they would recommend the Program to other schools, and suggested no other changes to the Program.

In general, representatives of assisted schools indicated that the Program allowed their schools to qualify for loans that were unavailable without the Program-funded guarantee. With few exceptions, the assisted school representatives indicated that their Directly Enhanced loan had a reasonable interest rate and that they would recommend other charter schools to take advantage of the Program.

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Appendix A: Glossary of Terms Used in This Report

Acquisition loan—Money borrowed for the purpose of acquiring title to a property.

Assisted school—A charter school that received a Directly Enhanced loan from a grantee between FY 2003 and FY 2005.

Collateral—Assets (usually real property for mortgages) pledged by a borrower to secure a loan or other credit, and subject to seizure in the event of a borrower's default.

Construction loan—An interim loan designed to provide funds for the actual construction of improvements on land.

Credit enhancement—The process of reducing credit risk by requiring collateral, insurance, or other agreements to provide the lender with reassurance that it will be compensated if the borrower defaults.

Debt service coverage ratio—Calculated by dividing the annual net operating income by the sum of the annual loan payments. For example, if a charter school's annual net operating income is $62,500 and the annual debt service (principal plus interest) on a loan of $50,000, its debt service coverage ratio is 1.25.

Directly Enhanced loan—A loan received by a charter school between FY 2003 and FY 2005 that received a credit enhancement from program funds or was funded from a loan pool credit enhanced by a grantee with program funds.

Foreclosure—The legal process by which an owner's right to a property is terminated, usually due to default. This process typically involves a forced sale of the property at public auction, with the proceeds being applied to the mortgage debt.

Fully amortizing mortgage—A method of loan amortization in which equal periodic payments completely repay the loan during the loan term.

Leasehold improvement—An improvement of a leased asset that increases the asset's value. Charter schools oftentimes have to improve leased facilities to make them suitable for classrooms and administrative offices. In some cases, leasehold improvements are required to bring a building up to a jurisdiction's building code.

Loan pool—A source of financing loans in which more than one investor or bank agrees to provide the money that a borrower receives when the loan is made.

Loan term—The length of time between when a loan is made and when the borrower must repay it.

Loan to value ratio—The ratio of a loan to the value of the collateral used for that loan. For example, an $80,000 loan that is used to purchase a $100,000 property that is used as collateral has an LTV of $80,000/$100,000 = 0.80.

Loan underwriting—The process lenders use to evaluate risks associated with a loan applicant. Mortgage underwriters typically evaluate the "three Cs:" a borrower's capacity to repay the loan, his/her creditworthiness, and assets offered as collateral for the loan.

New Market Tax Credits—A federal program that permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low- and moderate-income communities. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year period.

Net operating income—Income after deducting for operating expenses (such as salaries, utilities, and other day-to-day expenses) but before deducting for income taxes and interest.

Spread—The difference between two financial measures.

Subordinate debt—Debt that is ranked below other loans (that are referred to as more "senior") with regard to claims on assets that are used as collateral. In the event of a foreclosure, a lender that makes a subordinate loan is repaid only after the available proceeds from the sale of the asset used as collateral are paid to more senior lenders. Consequently, subordinate debt is more risky than senior debt, and so usually has a higher interest rate.

Weighted average coupon—The weighted average of the gross interest rates of loans aggregated into a pool of loans.

Appendix B: Interviews Conducted

Grantees

America's Charter, Washington, D.C. (Sheila Ryan)
CSDC, Hanover, Md. (Joel Sharfer)
LIIF, San Francisco, Calif. (Susan Harper)
LISC, New York, N.Y. (Elise Balboni)
MassDevelopment, Boston, Mass. (Rebecca Sullivan)
NCBCI, Arlington, Va. (Annie Donovan)
RDF, Phoenix, Ariz. (Mark Van Brunt)
Self-Help, Durham, N.C. (Laura Benedict, Meredith Lowe, Steve Farqair, Jane Ellis)

Assisted Schools

Bronx Preparatory Charter School, New York, N.Y. (Alyssa Levy)
Camino Nuevo Charter School, Los Angeles, Calif. (Philip Lane)
Capital City Pubic Charter School, Washington, D.C. (Karl Jentoff)
Central Park School for Children, Durham, N.C. (Vickie Patten)
City High School, Pima, Ariz. (Carrie Brennan)
Community Charter School of Cambridge, Cambridge, Mass. (Joe Reilly)
Evergreen Charter School, Ashville, N.C. (Maureen Molloy)
Mathematics, Civics and Science Charter School, Philadelphia, Penn. (Veronica Joyner)

Commercial Lenders

Bank of America, New York, N.Y. (Dave Leopold)
Citibank, New York, N.Y. (Kim Lattimer-Nelligan)
JP Morgan Chase, New York, N.Y. (Dudley Ben-Oit)

Developers

Bouma Development, Grand Rapids, Mich. (Doug Bouma)
Civic Builders, New York, N.Y. (David Umansky)

Education Management Organizations

National Heritage Academies, Grand Rapids, Mich. (JC Huizenga)
Imagine Schools, Arlington, Va. (Dennis Bakke)
Mosaica, New York, N.Y. (Mike Connolly)

Unsuccessful Program Applicants

Interviews were conducted by Kenneth Temkin and Bill Bavin with representatives of five unsuccessful Program applicants. The names of these representatives and their organizations are withheld to preserve their confidentiality.

Rating Agencies and Bond Insurers

ACA Capital, New York, N.Y. (Rueben Sellers)
Moody's, New York, N.Y. (Erin Gore, currently with Banc of America Securities)
Standard and Poor's, New York, N.Y. (David Hitchcock)

Investment Banks

Community Reinvestment Fund, Minneapolis, Minn. (Mary Tingerthal)
Goldman Sachs, New York, N.Y. (Rich Bellis)
RBC Dain Rauscher, Minneapolis, Minn. (Bill Wild and John Snyder)
Wilary Winn, St. Paul, Minn. (Doug Winn)

Appendix C: Discussion Guides

Grantee Discussion Guide

Grantee: _____
Name: _____
Date: _____

I. Previous Charter School Lending (only applicable to grantees that had such a program prior to participating in the Program) in the Year Prior to the Program

a. How long has your organization provided charter school facilities loans?

b. What were the main strategies that your organization used to support lending for charter school facilities prior to the Program?

c. What was your organization's total charter school lending volume in the year prior to the Program?

d. What was the source of funding for these loans?

e. How many charter schools received loans from your organization in the year prior to participating in the Program?

f. What types of loans (i.e., acquisition, repair, leasehold improvement) did your organization support in the year prior to the Program?

g. What underwriting standards did your organization use to evaluate charter school loan applications in the year prior to receiving the grant?

h. How did your organization establish rates and terms for these loans? What were typical spreads from comparable term Treasury and commercial real estate loans and fees?

i. How many start-up schools did your organization originate loans to in the year prior to receiving grant funds?

II. Charter School Lending Under the Program

a. What types of activities (i.e., acquisition, repair, leasehold improvement) does your program support under the Program?

b. What underwriting standards does your organization use when underwriting loan applications under the Program (if different from underwriting standards before Program)?

i. Why are these underwriting standards different from those that your organization used before the Program?

c. How does your organization establish rates and terms for loans originated under the Program? [Probe: Does the organization establish an interest rate spread from a benchmark?]

d. How does your organization market the Program to potential charter school loan applicants?

e. How does your organization market credit enhancements available under the Program to lenders that have funds to originate loans to charter schools (not applicable for grantees with Mixed or Vertically Integrated models)?

f. How does your organization determine the level and types of technical assistance to provide to a charter school loan applicant?

III. Effects of the Program

a. What new (if any) credit enhancements does your organization offer under the Program to increase facilities lending to charter schools?

i. How did the funding under the Program affect your ability to support such changes?

ii. Is your organization able to serve charter schools that exhibit higher rates of credit loss risk? If yes, how?

b. How does the Program affect the sources of financing that are available to support charter school facilities?

c. How does the Program affect the rates and terms of loans available for charter school facilities? Are you able to document this effect?

d. Has your organization established new relationships with lenders or other market participants under the Program? [If yes:]

e. How have those relationships changed your organization's ability to support charter school facilities lending?

f. How does the technical assistance provided by your organization affect the ability of charter school loan applicants to secure financing for facilities?

g. Since receiving the grant, have you done charter school lending or provided credit enhancements to support such lending beyond the grant-related activities you report? If yes, how much?

h. Have you been able to facilitate any innovative real estate arrangements under the Program? [If yes:]

i. What are those arrangements?

ii. How did the Program support them?

i. Overall, how has the Program affected your organization's ability to support charter schools facilities lending?

IV. Implementation/Program Challenges

a. What were the greatest challenges that your organization faced when implementing the Program?

b. What did your organization do to overcome these challenges?

c. What changes would your organization like to see to the Program? Why?

d. How would your organization's ability to serve charter schools change if these suggested changes to the Program were implemented?

Charter School Loan Recipient Discussion Guide

Charter School: _____
Name: _____
Date: _____

I. Ability to Secure Financing Before the Program

a. Did your charter school, prior to receiving the loan from [Grantee's name], apply for financing from another source? [If no, why not? If yes:]
   i. What was the purpose for the loan?
   ii. Where did you apply for the loan?
   iii. Was your loan application approved?
   [If no:]
   1. What reasons did the lenders provide for denying your charter school's loan application?
   [If yes:]
   2. What were the loan's rates and terms?

II. Experience with the Grantee

a. How did your charter school learn about loans offered by [Grantee's name]?

b. When did you initially contact [Grantee's name] about acquiring a loan?

c. Did you receive any type of technical assistance from [Grantee's name]? [If yes:]
   i. What types of technical assistance did you receive from [Grantee's name]?
   ii. Did this technical assistance help your charter school secure financing? [If yes, how so?]

d. What types of information did you have to provide to [Grantee's name and, if applicable, lender's name]?

e. What were your expectations regarding rates and terms before applying for the loan?

f. How much did the actual rates and terms differ from your expectations? [If different:]
   i. What factors do you think created these differences?

g. Did the loan from [Grantee's name] allow your school to implement any real estate solutions (i.e., sharing space with other charter schools) that you thought were not feasible before applying for a loan? [If yes:]
   i. What were those solutions?
   ii. How did the Program make those solutions feasible?

h. Would you recommend that other charter schools apply for loans from [Grantee's name]? Why or why not?

i. What changes would you like to be implemented? Why?

j. Overall, how satisfied is your organization with the loan rates and terms that you received from [Grantee's name]?

III. Students' Academic Performance

a. Did your school meet AYP standards under the No Child Left Behind program?

Unsuccessful Applicant Discussion Guide

Organization: _____
Name: _____
Date: _____

I. Reasons for Submitting an Application

a. What were the primary factors that influenced your organization's decision to apply for a grant under the Program?

b. Did you seek financing to support charter school facilities lending from other sources? [If yes:]
   i. What were those sources?

II. Activities Subsequent to Submitting an Application

a. How (if at all) does your organization now support charter school facilities lending?

b. What are your organization's sources of funding to support these activities?

c. What types of credit enhancements did your organizations provide in the past year?

d. How many charter school facilities loans did your organization facilitate last year?

e. What activities (i.e., acquisition, repair, leasehold improvement) did those loans support?

f. What were the rates and terms associated with those loans?

Commercial Lenders That Originate Charter School Facility Loans Discussion Guide

Lender: _____
Name: _____
Date: _____

I. Charter School Lending

a. How long have you originated charter school facilities loans?

b. What types of loans (i.e., acquisition, predevelopment, repair, leasehold improvement) do your bank originate to charter schools?

c. How many (number and dollar volume) charter school loans have you originated during the past three years?

d. What underwriting standards do you use when underwriting loan applications from charter schools?

e. Are these standards different from other types of commercial products? [If yes:]
   i. Why are these underwriting standards different from those that you use for other types of commercial products?

f. How does your organization establish rates and terms for loans originated to charter schools? [Probe: Does the organization establish an interest rate spread from a benchmark?]

g. Are the pricing policies different for other commercial loan products? [If yes:]
   i. Why are the pricing policies different?

II. Credit Enhancements

a. Have you required credit enhancements for charter school facilities loans that you have originated? [If yes:]
   i. For what proportion of loans did you require a credit enhancement?
   ii. Why did you require the credit enhancement?
   iii. What type of enhancement did you require?
   iv. Does the credit enhancement affect the rates and term of the loans receiving them? [If yes:]
   v. What was the effect of the enhancement on the rate and/or term?
   vi. Would you have approved the loan without the enhancement? [If no, why?]

III. Future Lending Plans

a. What is your bank's projected charter school lending volume in the next year?

b. Do you expect to change your underwriting/pricing standards for charter school loan in the next year? [If yes:]
   i. How will they change?
   ii. What are the reasons for this change?

Real Estate Developers Who Construct Charter Schools Discussion Guide

Company: _____
Name: _____
Date: _____

I. Charter School Development Activities

a. How many charter schools have you developed? Has the volume changed over the past few years? [If yes, why?]

b. What other commercial facilities (if any) does your company develop?

c. Charter school development activities account for what share of your overall development projects?

d. How often are you approached by charter schools to develop properties?

e. How often do such charter schools have financing already lined up?

f. What do you advise charter schools who do not have financing already in place?

II. Charter School Development Costs and Financing

a. What are the total development costs for a typical charter school development project? What are the per square foot development costs for a typical charter school development project?

b. Are these costs different for other commercial development projects? [If yes, why?]

c. What sources do you use to finance charter school construction?

d. Are these sources different for sources that you use for other commercial projects? [If yes, why?]

e. How much equity do you require from the charter school to begin development? Is this amount different for other commercial projects? [If yes, why?]

f. What sources do charter schools use for permanent financing? Are these sources different than for other commercial projects?

III. Credit Enhancements

a. For your developments, have you required that charter schools receive a credit enhancement for either the construction or permanent loan? [If yes:]
   i. For what proportion of projects did you require a credit enhancement?
   ii. Who provided the credit enhancement?
   iii. What was the credit enhancement?
   iv. Would you have gone forward with the project without the enhancement? [If no, why?]

IV. Future Development Plans

a. What is your projected charter school development activity in the next year?

Investment Banks Discussion Guide

Company: _____
Name: _____
Date: _____

I. Transactional Volume

a. How many charter school financing securitization transactions have you closed in the past year? How does this volume compare to previous years'?

b. What is the typical financing amount for these charter school loan securitization transactions? Has this changed over time? [If yes, why?]

II. Transactional Structure

a. What types of charter schools (start-ups?) were included in these transactions?

b. What types of charter school loans have been included in these transactions?

c. What were the typical WLTV and debt service coverage ratio for the charter school loans included in the transaction?

d. What types of credit enhancements have been included in these transactions?

e. Which companies have provided these credit enhancements?

f. How did the credit enhancements affect the transaction's pricing?

g. What fees did your company charge for the transaction?

h. Is this fee different for other types of commercial bonds? [If yes, why?]

Rating Agencies and Bond Insurers Discussion Guide

Company: _____
Name: _____
Date: _____

I. Transactional Volume

a. How many charter school financing transactions have you evaluated (insured) in the past year? How does this volume compare to previous years?

b. What is the typical financing amount for these transactions? Has this changed over time? [If yes, why?]

II. Transactional Structure

a. What types of charter schools (start-ups?) were included in these transactions?

b. What types of loans have been included in these transactions?

c. What were the typical WLTV and debt service coverage ratio for the loans included?

d. What types of credit enhancements have been included in these transactions?

e. Which companies have provided these credit enhancements?

f. How did the credit enhancements affect your ratings of the transactions?

FOR BOND INSURERS

g. What fees did your company charge for the insurance?

h. Is this fee different for other types of commercial bonds? [If yes, why?]

i. How did this insurance affect the bond's rating?

j. Beyond affecting the bond's rating, how do you think the insurance affected the market's pricing of the issuance?

k. Do you believe that bond insurance is more likely to be cost-effective from the standpoint of charter schools in the future? [If yes, why?]

Educational Management Organizations Discussion Guide

Company: _____
Name: _____
Date: _____

I. Management Support Volume

a. How many charter schools did your company provide services to in the past year? How does this volume compare to previous years'?

b. What is the typical fee charged to these schools? Has this changed over time? [If yes, why?]

II. Client Profile and Financing

a. What types of charter schools (start-ups?) do you serve?

b. In what types of facilities are these schools located?

c. How many clients have sought financing for new facilities or improvements?

d. What types of lenders have these schools approached for financing?

e. How successful have these schools been in receiving financing?

f. What types of credit enhancements have been included in these transactions?

g. Which companies have provided these credit enhancements?

Appendix D: Characteristics of Census Tracts and Counties in Which Schools Assisted by Grantees Between FY 2003 and FY 2005 Were Located

Exhibit D-1: Median household income, as of 2000, in tracts and counties with schools assisted by Grantees between FY 2003 and FY 2005

Assisted Schools	County	State	Tract Median HH Income in 2000	County Median HH Income in 2000	Ratio of 2000 Tract HH Income and 2000 County HH Income
Benton County School Of Arts	Benton	AR	$48,354	$39,023	1.24
Northland Preparatory Academy	Coconino	AZ	$51,758	$35,975	1.44
Star School	Coconino	AZ	$56,156		1.56
Arizona Agriculture and Equine Charter School	Maricopa	AZ	$44,549	$48,776	0.91
Arizona Agribusiness & Equine Center, Paradise Valley Campus	Maricopa	AZ	$42,194		0.87
Bell Canyon Charter School	Maricopa	AZ	$45,322		0.93
Excalibur Charter Schools, Avalon Academy Campus	Maricopa	AZ	$35,279		0.72
Valle del Sol Incorporated	Maricopa	AZ	$38,829		0.80
West Gilbert Charter Elementary School and West Gilbert Charter Middle School	Maricopa	AZ	$72,353		1.48
Calli Ollin Academy	Pima	AZ	$9,464	$40,831	0.23
City High School	Pima	AZ	$9,464		0.23
Millsmont Academy (Aspire Public Schools)	Alameda	CA	$32,578	$59,060	0.55
Leadership Public Schools Richmond	Contra Costa	CA	$30,389	$67,863	0.45
Academia Semillas Del Pueblo	Los Angeles	CA	$34,234	$46,493	0.74
Animo Inglewood High School	Los Angeles	CA	$22,667		0.49
Animo Leadership Charter High School	Los Angeles	CA	$25,721		0.55
Camino Nuevo Charter Academy - Middle School	Los Angeles	CA	$26,689		0.57
Camino Nuevo Charter Academy High School	Los Angeles	CA	$21,045		0.45
New Academy Of Science & Arts Charter School	Los Angeles	CA	$17,743		0.38
View Park Preparatory Accelerated Middle	Los Angeles	CA	$65,833		1.42
Envision Schools	San Francisco	CA	$57,281	$59,027	0.97
Highline Academy	Denver	CO	$56,512	$41,471	1.36
KIPP Sunshine Peak Academy	Denver	CO	$7,411		0.18
Carbon Valley Academy	Weld	CO	$52,746	$40,640	1.30
Capital City Public Charter School	DC	DC	$22,736	$41,625	0.55
Carlos Rosario International Public Charter School	DC	DC	$37,889		0.91
Cesar Chavez Public Charter School for Public Policy (Parkside Campus)	DC	DC	$42,500		1.02
Cesar Chavez Public Policy Public Charter School	DC	DC	$21,746		0.52
Community Academy Public Charter School	DC	DC	$51,510		1.24
D.C. Preparatory Academy Public Charter School	DC	DC	$22,063		0.53
Options Public Charter School	DC	DC	$35,225		0.85
Sasha Bruce Public Charter School	DC	DC	$67,109		1.61
Thurgood Marshall Academy Public Charter School	DC	DC	$22,539		0.54
Tree Of Life Public Charter School	DC	DC	$35,225		0.85
Literacy/Leadership/Technology Academy	Hillsborough	FL	$37,617	$42,858	0.88
Corebridge Educational Academy	Palm Beach	FL	$49,545	$50,394	0.98
Thomas Jefferson Charter School	Canyon	ID	$34,815	$34,302	1.01
Community Montessori	Floyd	IN	$68,290	$34,302	1.99
Charter School of the Dunes	Lake	IN	$30,099	$39,424	0.76
Gary Lighthouse Charter School	Lake	IN	$30,951		0.79
Indianapolis Lighthouse Charter School	Marion	IN	$27,308	$40,467	0.67
Irvington Community School	Marion	IN	$38,214		0.94
Southeast Neighborhood School of Excellence	Marion	IN	$31,292		0.77
Berkshire Arts and Technology Charter School	Berkshire	MA	$25,750	$40,813	0.63
Marblehead Community Charter School	Essex	MA	$61,231	$53,094	1.15
Four Rivers Charter School	Franklin	MA	$46,793	$41,596	1.12
Holyoke Community Charter School	Hampden	MA	$32,624	$39,666	0.82
Community Charter School of Cambridge	Middlesex	MA	$49,850	$64,852	0.77
Edward Brooke Charter School	Suffolk	MA	$50,410	$39,459	1.28
Frederick Douglass Charter School	Suffolk	MA	$50,410		1.28
Neighborhood House Charter School	Suffolk	MA	$50,039		1.27
Three Oaks Public School Academy	Muskegon	MI	$30,725	$36,984	0.83
Augsburg Academy for Health Careers	Hennepin	MN	$48,519	$53,036	0.91
Aurora Charter School	Hennepin	MN	$50,688		0.96
El Colegio Charter School	Hennepin	MN	$21,601		0.41
Great River School	Ramsey	MN	$52,946	$45,371	1.17
Academie Lafayette	Jackson	MO	$62,317	$38,046	1.64
Artspace Charter	Buncombe	NC	$41,351	$36,124	1.14
Evergreen Community Charter	Buncombe	NC	$37,476		1.04
Central Park School for Children	Durham	NC	$34,706	$41,333	0.84
Maureen Joy Charter	Durham	NC	$33,265		0.80
Gaston College Preparatory	Gaston	NC	$27,945	$26,633	1.05
Kinston Charter Academy	Lenoir	NC	$34,085	$30,001	1.14
Sugar Creek Charter	Mecklenburg	NC	$28,991	$51,463	0.56
Casa Esperanza Montessori	Wake	NC	$61,602	$54,951	1.12
Sallie B Howard School	Wilson	NC	$17,208	$31,161	0.55
Team Academy Charter School	Essex	NJ	$23,397	$47,827	0.49
Paterson Charter School for Science and Technology	Passaic	NJ	$21,048	$48,695	0.43
Moreno Valley High School	Colfax	NM	$33,585	$30,745	1.09
Mariposa Academy Charter School	Washoe	NV	$27,104	$51,764	0.52
Bronx Charter School - Arts	Bronx	NY	$7,044	$29,396	0.24
Bronx Prep Charter School	Bronx	NY	$16,591		0.56
KIPP Sankofa Charter School	Erie	NY	$24,901	$36,738	0.68
Pinnacle Charter School	Erie	NY	$15,360		0.42
Amber Charter School	New York	NY	$27,168	$49,512	0.55
Charter School of Educational Excellence	Westchester	NY	$28,546	$71,609	0.40
Arthur Academy Public Charter School	Marion	OR	$33,935	$40,872	0.83
First Philadelphia Charter School for Literacy	Philadelphia	PA	$41,412	$32,002	1.29
Math, Civics, and Sciences Charter School	Philadelphia	PA	$31,838		0.99
Nueva Esperanza Academy Charter School	Philadelphia	PA	$15,710		0.49
Memphis Academy of Health Sciences	Shelby	TN	$7,885	$39,476	0.20
IDEA Academy	Hidalgo	TX	$20,683	$25,869	0.80
East Fort Worth Montessori Academy	Tarrant	TX	$37,539	$48,491	0.77

Sources: 1. Location of schools: Grantee Annual Performance Reports geocoded by the authors.
2. Characteristics of Census tracts and counties in which assisted schools were located: U.S. Census 2000.

Exhibit D-2: Poverty rates, as of 2000, in tracts and counties with schools assisted by Grantees between FY 2003 and FY 2005

Assisted Schools	County	State	Tract Poverty Rate in 2000	County Poverty Rate in 2000	Ratio of 2000 Tract Poverty Rate and 2000 County Poverty Rate
Benton County School Of Arts	Benton	AR	7.7%	10.1%	0.76
Northland Preparatory Academy	Coconino	AZ	6.7%	18.2%	0.37
Star School	Coconino	AZ	4.7%		0.26
Arizona Agribusiness & Equine Center, Paradise Valley Campus	Maricopa	AZ	4.4%	11.7%	0.38
Bell Canyon Charter School	Maricopa	AZ	6.2%		0.53
Excalibur Charter Schools, Avalon Academy Campus	Maricopa	AZ	10.7%		0.91
West Gilbert Charter Elementary School and West Gilbert Charter Middle School	Maricopa	AZ	9.0%		0.77
Arizona Agriculture and Equine Charter School	Maricopa	AZ	11.1%		0.95
Valle del Sol Incorporated	Maricopa	AZ	0.9%		0.08
City High School	Pima	AZ	48.9%	14.7%	3.33
Calli Ollin Academy	Pima	AZ	48.9%		3.33
Millsmont Academy (Aspire Public Schools)	Alameda	CA	22.9%	11.0%	2.08
Leadership Public Schools Richmond	Contra Costa	CA	31.0%	7.6%	4.08
Camino Nuevo Charter Academy High School	Los Angeles	CA	26.8%	17.9%	1.50
View Park Preparatory Accelerated Middle	Los Angeles	CA	15.5%		0.86
Animo Inglewood High School	Los Angeles	CA	19.3%		1.08
Camino Nuevo Charter Academy - Middle School	Los Angeles	CA	25.7%		1.44
Academia Semillas Del Pueblo	Los Angeles	CA	31.2%		1.74
New Academy Of Science & Arts Charter School	Los Angeles	CA	45.2%		2.53
Animo Leadership Charter High School	Los Angeles	CA	6.2%		0.35
Envision Schools	San Francisco	CA	6.6%	11.3%	0.58
Highline Academy	Denver	CO	3.9%	14.3%	0.27
KIPP Sunshine Peak Academy	Denver	CO	71.5%		5.00
Carbon Valley Academy	Weld	CO	6.5%	12.5%	0.52
Capital City Public Charter School	DC	DC	33.0%	20.2%	1.63
Cesar Chavez Public Policy Public Charter School	DC	DC	21.4%		1.06
Cesar Chavez Public Charter School for Public Policy (Parkside Campus)	DC	DC	20.3%		1.01
D.C. Preparatory Academy Public Charter School	DC	DC	32.6%		1.61
Options Public Charter School	DC	DC	13.0%		0.64
Sasha Bruce Public Charter School	DC	DC	28.8%		1.42
Thurgood Marshall Academy Public Charter School	DC	DC	24.5%		1.21
Community Academy Public Charter School	DC	DC	13.5%		0.67
Tree Of Life Public Charter School	DC	DC	33.4%		1.65
Carlos Rosario International Public Charter School	DC	DC	24.5%		1.21
Literacy/Leadership/Technology Academy	Hillsborough	FL	10.0%	12.5%	0.80
Corebridge Educational Academy	Palm Beach	FL	9.1%	9.9%	0.92
Thomas Jefferson Charter School	Canyon	ID	10.3%	12.0%	0.86
Community Montessori	Floyd	IN	2.2%	8.7%	0.26
Charter School of the Dunes	Lake	IN	22.0%	12.2%	1.80
Gary Lighthouse Charter School	Lake	IN	24.0%		1.96
Irvington Community School	Marion	IN	25.6%	11.4%	2.24
Indianapolis Lighthouse Charter School	Marion	IN	4.7%		0.42
Southeast Neighborhood School of Excellence	Marion	IN	22.5%		1.97
Berkshire Arts and Technology Charter School	Berkshire	MA	13.1%	9.5%	1.38
Marblehead Community Charter School	Essex	MA	6.4%	8.9%	0.72
Four Rivers Charter School	Franklin	MA	10.4%	9.4%	1.10
Holyoke Community Charter School	Hampden	MA	21.3%	14.7%	1.45
Community Charter School of Cambridge	Middlesex	MA	15.1%	6.5%	2.32
Edward Brooke Charter School	Suffolk	MA	7.9%	19.0%	0.42
Frederick Douglass Charter School	Suffolk	MA	7.9%		0.42
Neighborhood House Charter School	Suffolk	MA	10.0%		0.53
Three Oaks Public School Academy	Muskegon	MI	17.5%	11.4%	1.53
El Colegio Charter School	Hennepin	MN	8.2%	8.3%	0.99
Aurora Charter School	Hennepin	MN	4.5%		0.54
Augsburg Academy for Health Careers	Hennepin	MN	42.0%		5.07
Great River School	Ramsey	MN	4.1%	10.6%	0.39
Academie Lafayette	Jackson	MO	4.2%	11.9%	0.35
Artspace Charter	Buncombe	NC	5.9%	11.4%	0.52
Evergreen Community Charter	Buncombe	NC	9.2%		0.81
Central Park School for Children	Durham	NC	17.2%	13.4%	1.28
Maureen Joy Charter	Durham	NC	19.9%		1.49
Gaston College Preparatory	Gaston	NC	18.9%	21.3%	0.89
Kinston Charter Academy	Lenoir	NC	13.1%	16.6%	0.79
Sugar Creek Charter	Mecklenburg	NC	16.1%	9.2%	1.75
Casa Esperanza Montessori	Wake	NC	6.9%	7.8%	0.89
Sallie B Howard School	Wilson	NC	35.6%	18.5%	1.92
Team Academy Charter School	Essex	NJ	22.1%	15.6%	1.41
Paterson Charter School for Science and Technology	Passaic	NJ	36.2%	12.3%	2.95
Moreno Valley High School	Colfax	NM	13.5%	14.8%	0.91
Mariposa Academy Charter School	Washoe	NV	25.7%	10.0%	2.57
Bronx Prep Charter School	Bronx	NY	72.3%	30.7%	2.35
Bronx Charter School - Arts	Bronx	NY	41.5%		1.35
Amber Charter School	New York	NY	27.6%	20.0%	1.38
Pinnacle Charter School	Erie	NY	28.3%	12.2%	2.32
KIPP Sankofa Charter School	Erie	NY	37.4%		3.07
Charter School of Educational Excellence	Westchester	NY	29.7%	8.8%	3.37
Arthur Academy Public Charter School	Marion	OR	14.4%	13.5%	1.07
First Philadelphia Charter School for Literacy	Philadelphia	PA	8.4%	22.9%	0.37
Math, Civics, and Sciences Charter School	Philadelphia	PA	27.7%		1.21
Nueva Esperanza Academy Charter School	Philadelphia	PA	47.0%		2.05
Memphis Academy of Health Sciences	Shelby	TN	62.3%	16.0%	3.89
IDEA Academy	Hidalgo	TX	44.2%	35.9%	1.23
East Fort Worth Montessori Academy	Tarrant	TX	12.5%	10.6%	1.18

Sources: 1. Location of schools: Grantee Annual Performance Reports geocoded by the authors.
2. Characteristics of Census tracts and counties in which assisted schools were located: U.S. Census 2000.

Exhibit D-3: Proportion of population aged 18 and under, as of 2000, in tracts and counties with schools assisted by Grantees between FY 2003 and FY 2005

Assisted Schools	County	State	2000		County Pop. Aged 18 and Under in 2000		Ratio of 2000 Tract Pop. Aged 18 and Under and 2000 County Pop. Aged 18 and Under	
			Raw Count	Percentage	Raw Count	Percentage	Raw Count	Percentage
Benton County School Of Arts	Benton	AR	1656	28.0%	42747	27.9%	0.04	1.00
Northland Preparatory Academy	Coconino	AZ	957	28.9%	35444	30.5%	0.03	0.95
Star School	Coconino	AZ	2882	32.2%			0.08	1.06
Arizona Agribusiness & Equine Center, Paradise Valley Campus	Maricopa	AZ	1437	30.3%	868661	28.3%	0.00	1.07
Bell Canyon Charter School	Maricopa	AZ	1404	35.3%			0.00	1.25
Excalibur Charter Schools, Avalon Academy Campus	Maricopa	AZ	1300	24.8%			0.00	0.88
West Gilbert Charter Elementary School and West Gilbert Charter Middle School	Maricopa	AZ	1021	33.3%			0.00	1.18
Arizona Agriculture and Equine Charter School	Maricopa	AZ	1032	16.0%			0.00	0.57
Valle del Sol Incorporated	Maricopa	AZ	942	17.1%			0.00	0.60
City High School	Pima	AZ	19	3.1%	219955	26.1%	0.00	0.12
Calli Ollin Academy	Pima	AZ	19	3.1%			0.00	0.12
Millsmont Academy (Aspire Public Schools)	Alameda	CA	2589	34.3%	372370	25.8%	0.01	1.33
Leadership Public Schools Richmond	Contra Costa	CA	2777	36.6%	262671	27.7%	0.01	1.32
Camino Nuevo Charter Academy High School	Los Angeles	CA	1175	23.0%	2798503	29.4%	0.00	0.78
View Park Preparatory Accelerated Middle	Los Angeles	CA	1241	22.5%			0.00	0.77
Animo Inglewood High School	Los Angeles	CA	404	19.2%			0.00	0.65
Camino Nuevo Charter Academy - Middle School	Los Angeles	CA	941	20.8%			0.00	0.71
Academia Semillas Del Pueblo	Los Angeles	CA	1665	35.1%			0.00	1.20
New Academy Of Science & Arts Charter School	Los Angeles	CA	2281	33.9%			0.00	1.15
Animo Leadership Charter High School	Los Angeles	CA	117	2.9%			0.00	0.10
Envision Schools	San Francisco	CA	1853	21.8%	118952	15.3%	0.02	1.43
Highline Academy	Denver	CO	347	10.4%	127612	23.0%	0.00	0.45
KIPP Sunshine Peak Academy	Denver	CO	818	54.2%			0.01	2.36
Carbon Valley Academy	Weld	CO	2153	30.5%	54410	30.1%	0.04	1.01
Capital City Public Charter School	DC	DC	1167	24.8%	123329	21.6%	0.01	1.15
Cesar Chavez Public Policy Public Charter School	DC	DC	463	18.9%			0.00	0.88
Cesar Chavez Public Charter School for Public Policy (Parkside Campus)	DC	DC	1159	37.7%			0.01	1.75
D.C. Preparatory Academy Public Charter School	DC	DC	698	28.9%			0.01	1.34
Options Public Charter School	DC	DC	882	27.2%			0.01	1.26
Sasha Bruce Public Charter School	DC	DC	203	9.5%			0.00	0.44
Thurgood Marshall Academy Public Charter School	DC	DC	954	37.3%			0.01	1.73
Community Academy Public Charter School	DC	DC	541	22.7%			0.00	1.05
Tree Of Life Public Charter School	DC	DC	882	27.2%			0.01	1.26
Carlos Rosario International Public Charter School	DC	DC	817	17.3%			0.01	0.80
Literacy/Leadership/Technology Academy	Hillsborough	FL	615	33.9%	265215	26.5%	0.00	1.28
Corebridge Educational Academy	Palm Beach	FL	742	18.8%	251475	22.2%	0.00	0.84
Thomas Jefferson Charter School	Canyon	ID	1991	33.3%	42735	32.5%	0.05	1.02
Community Montessori	Floyd	IN	2141	30.6%	19277	27.2%	0.11	1.13
Charter School of the Dunes	Lake	IN	1918	30.2%	137114	28.3%	0.01	1.07
Gary Lighthouse Charter School	Lake	IN	1892	31.4%			0.01	1.11
Irvington Community School	Marion	IN	1180	21.5%	232739	27.0%	0.01	0.79
Indianapolis Lighthouse Charter School	Marion	IN	1477	31.7%			0.01	1.17
Southeast Neighborhood School of Excellence	Marion	IN	1022	31.4%			0.00	1.16
Berkshire Arts and Technology Charter School	Berkshire	MA	640	22.4%	32239	23.9%	0.02	0.94
Marblehead Community Charter School	Essex	MA	1730	20.0%	190777	26.4%	0.01	0.76
Four Rivers Charter School	Franklin	MA	830	24.7%	17742	24.8%	0.05	1.00
Holyoke Community Charter School	Hampden	MA	2177	26.8%	125344	27.5%	0.02	0.98
Community Charter School of Cambridge	Middlesex	MA	289	12.9%	346043	23.6%	0.00	0.55
Edward Brooke Charter School	Suffolk	MA	1067	24.2%	150386	21.8%	0.01	1.11
Frederick Douglass Charter School	Suffolk	MA	1067	24.2%			0.01	1.11
Neighborhood House Charter School	Suffolk	MA	1071	29.1%			0.01	1.34
Three Oaks Public School Academy	Muskegon	MI	1883	19.6%	49095	28.8%	0.04	0.68
El Colegio Charter School	Hennepin	MN	728	24.5%	281609	25.2%	0.00	0.97
Aurora Charter School	Hennepin	MN	1002	30.3%			0.00	1.20
Augsburg Academy for Health Careers	Hennepin	MN	694	20.1%			0.00	0.80
Great River School	Ramsey	MN	668	19.3%	138401	27.1%	0.00	0.71
Academie Lafayette	Jackson	MO	891	17.7%	177155	27.1%	0.01	0.66
Artspace Charter	Buncombe	NC	1388	21.0%	47343	22.9%	0.03	0.91
Evergreen Community Charter	Buncombe	NC	1476	19.8%			0.03	0.86
Central Park School for Children	Durham	NC	649	20.8%	54315	24.3%	0.01	0.86
Maureen Joy Charter	Durham	NC	920	29.2%			0.02	1.20
Gaston College Preparatory	Gaston	NC	1334	24.2%	5629	25.5%	0.24	0.95
Kinston Charter Academy	Lenoir	NC	1130	26.8%	15967	26.8%	0.07	1.00
Sugar Creek Charter	Mecklenburg	NC	627	23.7%	182332	26.2%	0.00	0.90
Casa Esperanza Montessori	Wake	NC	3062	33.3%	165596	26.4%	0.02	1.26
Sallie B Howard School	Wilson	NC	2061	32.1%	19863	26.9%	0.10	1.19
Team Academy Charter School	Essex	NJ	757	31.7%	216131	27.2%	0.00	1.16
Paterson Charter School for Science and Technology	Passaic	NJ	834	18.2%	133659	27.3%	0.01	0.67
Moreno Valley High School	Colfax	NM	1601	27.7%	3823	26.9%	0.42	1.03
Mariposa Academy Charter School	Washoe	NV	2913	32.5%	88837	26.2%	0.03	1.24
Bronx Prep Charter School	Bronx	NY	652	35.2%	416757	31.3%	0.00	1.13
Bronx Charter School - Arts	Bronx	NY	182	33.0%			0.00	1.05
Amber Charter School	New York	NY	1986	24.4%	272585	17.7%	0.01	1.37
Pinnacle Charter School	Erie	NY	512	27.1%	243470	25.6%	0.00	1.06
KIPP Sankofa Charter School	Erie	NY	1874	35.9%			0.01	1.40
Charter School of Educational Excellence	Westchester	NY	1451	35.5%	239433	25.9%	0.01	1.37
Arthur Academy Public Charter School	Marion	OR	2989	26.0%	82445	28.9%	0.04	0.90
First Philadelphia Charter School for Literacy	Philadelphia	PA	1539	26.1%	406409	26.8%	0.00	0.98
Math, Civics, and Sciences Charter School	Philadelphia	PA	76	9.5%			0.00	0.35
Nueva Esperanza Academy Charter School	Philadelphia	PA	1006	38.2%			0.00	1.43
Memphis Academy of Health Sciences	Shelby	TN	602	39.3%	265927	29.6%	0.00	1.33
IDEA Academy	Hidalgo	TX	3271	37.9%	210936	37.0%	0.02	1.02
East Fort Worth Montessori Academy	Tarrant	TX	1419	29.7%	426469	29.5%	0.00	1.01

Sources: 1. Location of schools: Grantee Annual Performance Reports geocoded by the authors.
2. Characteristics of Census tracts and counties in which assisted schools were located: U.S. Census 2000.

Exhibit D-4: Percent of households receiving public assistance, as of 2000, in tracts and counties with schools assisted by Grantees between FY 2003 and FY 2005

Assisted Schools	County	State	Tract Percent of HH receiving PA in 2000	County Percent of HH receiving PA in 2000	Ratio of 2000 Tract Percent of HH receiving PA and 2000 County Percent of HH receiving PA
Benton County School Of Arts	Benton	AR	2.9%	2.0%	1.47
Northland Preparatory Academy	Coconino	AZ	1.8%	3.8%	0.47
Star School	Coconino	AZ	1.2%		0.31
Arizona Agribusiness & Equine Center, Paradise Valley Campus	Maricopa	AZ	1.1%	2.2%	0.51
Bell Canyon Charter School	Maricopa	AZ	2.3%		1.06
Excalibur Charter Schools, Avalon Academy Campus	Maricopa	AZ	2.8%		1.27
West Gilbert Charter Elementary School and West Gilbert Charter Middle School	Maricopa	AZ	4.5%		2.07
Arizona Agriculture and Equine Charter School	Maricopa	AZ	1.2%		0.54
Valle del Sol Incorporated	Maricopa	AZ	0.9%		0.42
City High School	Pima	AZ	9.6%	3.1%	3.11
Calli Ollin Academy	Pima	AZ	9.6%		3.11
Millsmont Academy (Aspire Public Schools)	Alameda	CA	14.3%	4.2%	3.36
Leadership Public Schools Richmond	Contra Costa	CA	12.5%	2.8%	4.41
Camino Nuevo Charter Academy High School	Los Angeles	CA	12.7%	6.4%	1.99
View Park Preparatory Accelerated Middle	Los Angeles	CA	6.6%		1.04
Animo Inglewood High School	Los Angeles	CA	1.6%		0.25
Camino Nuevo Charter Academy - Middle School	Los Angeles	CA	5.2%		0.82
Academia Semillas Del Pueblo	Los Angeles	CA	2.9%		0.46
New Academy Of Science & Arts Charter School	Los Angeles	CA	13.3%		2.09
Animo Leadership Charter High School	Los Angeles	CA	1.5%		0.23
Envision Schools	San Francisco	CA	8.7%	3.9%	2.22
Highline Academy	Denver	CO	0.5%	3.4%	0.14
KIPP Sunshine Peak Academy	Denver	CO	27.8%		8.29
Carbon Valley Academy	Weld	CO	1.1%	2.9%	0.38
Capital City Public Charter School	DC	DC	8.5%	5.5%	1.55
Cesar Chavez Public Policy Public Charter School	DC	DC	2.3%		0.42
Cesar Chavez Public Charter School for Public Policy (Parkside Campus)	DC	DC	5.5%		1.00
D.C. Preparatory Academy Public Charter School	DC	DC	11.1%		2.01
Options Public Charter School	DC	DC	0.8%		0.14
Sasha Bruce Public Charter School	DC	DC	12.7%		2.31
Thurgood Marshall Academy Public Charter School	DC	DC	3.7%		0.68
Community Academy Public Charter School	DC	DC	0.8%		0.14
Tree Of Life Public Charter School	DC	DC	14.1%		2.56
Carlos Rosario International Public Charter School	DC	DC	3.7%		0.68
Literacy/Leadership/Technology Academy	Hillsborough	FL	2.3%	3.0%	0.75
Corebridge Educational Academy	Palm Beach	FL	1.4%	1.8%	0.77
Thomas Jefferson Charter School	Canyon	ID	5.0%	4.1%	1.24
Community Montessori	Floyd	IN	0.9%	3.0%	0.29
Charter School of the Dunes	Lake	IN	6.0%	4.6%	1.28
Gary Lighthouse Charter School	Lake	IN	9.8%		2.11
Irvington Community School	Marion	IN	5.7%	3.0%	1.91
Indianapolis Lighthouse Charter School	Marion	IN	2.2%		0.73
Southeast Neighborhood School of Excellence	Marion	IN	7.1%		2.39
Berkshire Arts and Technology Charter School	Berkshire	MA	4.5%	2.7%	1.70
Marblehead Community Charter School	Essex	MA	1.0%	3.1%	0.33
Four Rivers Charter School	Franklin	MA	5.3%	3.3%	1.63
Holyoke Community Charter School	Hampden	MA	8.1%	5.4%	1.49
Community Charter School of Cambridge	Middlesex	MA	3.6%	1.9%	1.90
Edward Brooke Charter School	Suffolk	MA	1.9%	4.1%	0.46
Frederick Douglass Charter School	Suffolk	MA	1.9%		0.46
Neighborhood House Charter School	Suffolk	MA	7.0%		1.70
Three Oaks Public School Academy	Muskegon	MI	8.2%	4.7%	1.76
El Colegio Charter School	Hennepin	MN	1.7%	3.8%	0.46
Aurora Charter School	Hennepin	MN	0.6%		0.16
Augsburg Academy for Health Careers	Hennepin	MN	16.7%		4.43
Great River School	Ramsey	MN	1.9%	5.4%	0.35
Academie Lafayette	Jackson	MO	1.0%	3.5%	0.28
Artspace Charter	Buncombe	NC	3.5%	2.8%	1.23
Evergreen Community Charter	Buncombe	NC	2.2%		0.77
Central Park School for Children	Durham	NC	4.2%	2.7%	1.58
Maureen Joy Charter	Durham	NC	3.2%		1.20
Gaston College Preparatory	Gaston	NC	4.6%	6.0%	0.77
Kinston Charter Academy	Lenoir	NC	4.0%	4.2%	0.94
Sugar Creek Charter	Mecklenburg	NC	3.6%	2.3%	1.58
Casa Esperanza Montessori	Wake	NC	1.3%	1.6%	0.79
Sallie B Howard School	Wilson	NC	11.5%	4.4%	2.59
Team Academy Charter School	Essex	NJ	8.5%	6.5%	1.31
Paterson Charter School for Science and Technology	Passaic	NJ	10.4%	4.0%	2.62
Moreno Valley High School	Colfax	NM	3.6%	4.2%	0.85
Mariposa Academy Charter School	Washoe	NV	3.5%	2.1%	1.66
Bronx Prep Charter School	Bronx	NY	38.8%	14.6%	2.65
Bronx Charter School - Arts	Bronx	NY	19.2%		1.31
Amber Charter School	New York	NY	5.6%	5.5%	1.03
Pinnacle Charter School	Erie	NY	11.8%	4.5%	2.63
KIPP Sankofa Charter School	Erie	NY	11.4%		2.55
Charter School of Educational Excellence	Westchester	NY	16.5%	2.7%	6.00
Arthur Academy Public Charter School	Marion	OR	4.4%	4.3%	1.02
First Philadelphia Charter School for Literacy	Philadelphia	PA	3.4%	8.7%	0.39
Math, Civics, and Sciences Charter School	Philadelphia	PA	3.1%		0.35
Nueva Esperanza Academy Charter School	Philadelphia	PA	19.4%		2.22
Memphis Academy of Health Sciences	Shelby	TN	24.7%	4.5%	5.48
IDEA Academy	Hidalgo	TX	17.4%	10.8%	1.61
East Fort Worth Montessori Academy	Tarrant	TX	2.2%	2.1%	1.02

Sources: 1. Location of schools: Grantee Annual Performance Reports geocoded by the authors.
2. Characteristics of Census tracts and counties in which assisted schools were located: U.S. Census 2000.

Exhibit D-5: Percentage white residents, as of 2000, in tracts and counties with schools assisted by Grantees between FY 2003 and FY 2005

Assisted Schools	County	State	Tract White in 2000		County White in 2000		Ratio of 2000 White and 2000 White	
			Raw Count	Percentage	Raw Count	Percentage	Raw Count	Percentage
Benton County School Of Arts	Benton	AR	5535	93.5%	139457	90.9%	0.04	1.03
Northland Preparatory Academy	Coconino	AZ	2943	88.8%	73702	63.4%	0.04	1.40
Star School	Coconino	AZ	7327	81.8%			0.10	1.29
Arizona Agribusiness & Equine Center, Paradise Valley Campus	Maricopa	AZ	4111	86.6%			0.00	1.12
Bell Canyon Charter School	Maricopa	AZ	3495	87.8%			0.00	1.14
Excalibur Charter Schools, Avalon Academy Campus	Maricopa	AZ	4614	88.1%	2375391	77.3%	0.00	1.14
West Gilbert Charter Elementary School and West Gilbert Charter Middle School	Maricopa	AZ	2836	92.5%			0.00	1.20
Arizona Agriculture and Equine Charter School	Maricopa	AZ	5881	91.3%			0.00	1.18
Valle del Sol Incorporated	Maricopa	AZ	4229	76.7%			0.00	0.99
City High School	Pima	AZ	436	70.9%	632560	75.0%	0.00	0.95
Calli Ollin Academy	Pima	AZ	436	70.9%			0.00	0.95
Millsmont Academy (Aspire Public Schools)	Alameda	CA	1170	15.5%	702440	48.7%	0.00	0.32
Leadership Public Schools Richmond	Contra Costa	CA	2161	28.5%	619576	65.3%	0.00	0.44
Camino Nuevo Charter Academy High School	Los Angeles	CA	768	15.0%			0.00	0.31
View Park Preparatory Accelerated Middle	Los Angeles	CA	260	4.7%			0.00	0.10
Animo Inglewood High School	Los Angeles	CA	238	11.3%			0.00	0.23
Camino Nuevo Charter Academy - Middle School	Los Angeles	CA	1307	28.9%	4622759	48.6%	0.00	0.59
Academia Semillas Del Pueblo	Los Angeles	CA	1506	31.8%			0.00	0.65
New Academy Of Science & Arts Charter School	Los Angeles	CA	1868	27.7%			0.00	0.57
Animo Leadership Charter High School	Los Angeles	CA	1239	30.7%			0.00	0.63
Envision Schools	San Francisco	CA	1513	17.8%	385325	49.6%	0.00	0.36
Highline Academy	Denver	CO	2895	86.7%	362069	65.3%	0.01	1.33
KIPP Sunshine Peak Academy	Denver	CO	621	41.2%			0.00	0.63
Carbon Valley Academy	Weld	CO	5972	84.6%	147616	81.6%	0.04	1.04
Capital City Public Charter School	DC	DC	1001	21.3%			0.01	0.70
Cesar Chavez Public Policy Public Charter School	DC	DC	709	28.9%			0.00	0.95
Cesar Chavez Public Charter School for Public Policy (Parkside Campus)	DC	DC	0	0.0%			0.00	0.00
D.C. Preparatory Academy Public Charter School	DC	DC	120	5.0%			0.00	0.16
Options Public Charter School	DC	DC	148	4.6%	175306	30.6%	0.00	0.15
Sasha Bruce Public Charter School	DC	DC	1478	69.0%			0.01	2.25
Thurgood Marshall Academy Public Charter School	DC	DC	13	0.5%			0.00	0.02
Community Academy Public Charter School	DC	DC	364	15.3%			0.00	0.50
Tree Of Life Public Charter School	DC	DC	148	4.6%			0.00	0.15
Carlos Rosario International Public Charter School	DC	DC	2111	44.7%			0.01	1.46
Literacy/Leadership/Technology Academy	Hillsborough	FL	1365	75.3%	750497	75.1%	0.00	1.00
Corebridge Educational Academy	Palm Beach	FL	3326	84.1%	893242	79.0%	0.00	1.07
Thomas Jefferson Charter School	Canyon	ID	4500	75.3%	108760	82.7%	0.04	0.91
Community Montessori	Floyd	IN	6828	97.7%	66051	93.3%	0.10	1.05
Charter School of the Dunes	Lake	IN	1152	18.1%	323214	66.7%	0.00	0.27
Gary Lighthouse Charter School	Lake	IN	466	7.7%			0.00	0.12
Irvington Community School	Marion	IN	4986	90.7%			0.01	1.29
Indianapolis Lighthouse Charter School	Marion	IN	3038	65.2%	605755	70.4%	0.01	0.93
Southeast Neighborhood School of Excellence	Marion	IN	3072	94.3%			0.01	1.34
Berkshire Arts and Technology Charter School	Berkshire	MA	2806	98.4%	128332	95.1%	0.02	1.03
Marblehead Community Charter School	Essex	MA	8421	97.4%	624822	86.4%	0.01	1.13
Four Rivers Charter School	Franklin	MA	3071	91.5%	68501	95.8%	0.04	0.95
Holyoke Community Charter School	Hampden	MA	5836	71.9%	359879	78.9%	0.02	0.91
Community Charter School of Cambridge	Middlesex	MA	1642	73.3%	1257944	85.8%	0.00	0.85
Edward Brooke Charter School	Suffolk	MA	2928	66.4%			0.01	1.15
Frederick Douglass Charter School	Suffolk	MA	2928	66.4%	398032	57.7%	0.01	1.15
Neighborhood House Charter School	Suffolk	MA	1027	27.9%			0.00	0.48
Three Oaks Public School Academy	Muskegon	MI	5188	54.1%	138430	81.3%	0.04	0.66
El Colegio Charter School	Hennepin	MN	2042	68.8%			0.00	0.85
Aurora Charter School	Hennepin	MN	968	29.3%	900063	80.6%	0.00	0.36
Augsburg Academy for Health Careers	Hennepin	MN	3054	88.6%			0.00	1.10
Great River School	Ramsey	MN	2991	86.4%	395740	77.4%	0.01	1.12
Academie Lafayette	Jackson	MO	4534	90.2%	459002	70.1%	0.01	1.29
Artspace Charter	Buncombe	NC	6376	96.4%	183545	89.0%	0.03	1.08
Evergreen Community Charter	Buncombe	NC	6582	88.4%			0.04	0.99
Central Park School for Children	Durham	NC	1198	38.5%	114070	51.1%	0.01	0.75
Maureen Joy Charter	Durham	NC	1314	41.7%			0.01	0.82
Gaston College Preparatory	Gaston	NC	2308	41.8%	8659	39.2%	0.27	1.07
Kinston Charter Academy	Lenoir	NC	2509	59.4%	33483	56.1%	0.07	1.06
Sugar Creek Charter	Mecklenburg	NC	819	30.9%	445356	64.0%	0.00	0.48
Casa Esperanza Montessori	Wake	NC	5453	59.3%	453928	72.3%	0.01	0.82
Sallie B Howard School	Wilson	NC	1229	19.2%	40921	55.4%	0.03	0.35
Team Academy Charter School	Essex	NJ	25	1.1%	352937	44.5%	0.00	0.02
Paterson Charter School for Science and Technology	Passaic	NJ	1403	30.6%	304479	62.3%	0.00	0.49
Moreno Valley High School	Colfax	NM	4853	84.1%	11582	81.6%	0.42	1.03
Mariposa Academy Charter School	Washoe	NV	5231	58.3%	272622	80.3%	0.02	0.73
Bronx Prep Charter School	Bronx	NY	222	12.0%	398530	29.9%	0.00	0.40
Bronx Charter School - Arts	Bronx	NY	200	36.2%			0.00	1.21
Amber Charter School	New York	NY	2387	29.3%	835298	54.3%	0.00	0.54
Pinnacle Charter School	Erie	NY	57	3.0%	781935	82.3%	0.00	0.04
KIPP Sankofa Charter School	Erie	NY	561	10.7%			0.00	0.13
Charter School of Educational Excellence	Westchester	NY	834	20.4%	659051	71.4%	0.00	0.29
Arthur Academy Public Charter School	Marion	OR	7963	69.2%	232709	81.7%	0.03	0.85
First Philadelphia Charter School for Literacy	Philadelphia	PA	4680	79.5%			0.01	1.76
Math, Civics, and Sciences Charter School	Philadelphia	PA	389	48.6%	684603	45.1%	0.00	1.08
Nueva Esperanza Academy Charter School	Philadelphia	PA	821	31.2%			0.00	0.69
Memphis Academy of Health Sciences	Shelby	TN	5	0.3%	424523	47.3%	0.00	0.01
IDEA Academy	Hidalgo	TX	7375	85.4%	442579	77.7%	0.02	1.10
East Fort Worth Montessori Academy	Tarrant	TX	3051	63.9%	1030614	71.3%	0.00	0.90

Sources: 1. Location of schools: Grantee Annual Performance Reports geocoded by the authors.
2. Characteristics of Census tracts and counties in which assisted schools were located: U.S. Census 2000.

Exhibit D-6: Percentage black residents, as of 2000, in tracts and counties with schools assisted by Grantees between FY 2003 and FY 2005

Assisted Schools	County	State	Tract Black in 2000		County Black in 2000		Ratio of 2000 Black and 2000 Black	
			Raw Count	Percentage	Raw Count	Percentage	Raw Count	Percentage
Benton County School Of Arts	Benton	AR	51	0.9%	778	0.5%	0.07	1.72
Northland Preparatory Academy	Coconino	AZ	0	0.0%	1368	1.2%	0.00	0.00
Star School	Coconino	AZ	74	0.8%			0.05	0.69
Arizona Agribusiness & Equine Center, Paradise Valley Campus	Maricopa	AZ	124	2.6%	111584	3.6%	0.00	0.73
Bell Canyon Charter School	Maricopa	AZ	41	1.0%			0.00	0.29
Excalibur Charter Schools, Avalon Academy Campus	Maricopa	AZ	39	0.7%			0.00	0.21
West Gilbert Charter Elementary School and West Gilbert Charter Middle School	Maricopa	AZ	21	0.7%			0.00	0.19
Arizona Agriculture and Equine Charter School	Maricopa	AZ	83	1.3%			0.00	0.36
Valle del Sol Incorporated	Maricopa	AZ	167	3.0%			0.00	0.84
City High School	Pima	AZ	56	9.1%	24460	2.9%	0.00	3.14
Calli Ollin Academy	Pima	AZ	56	9.1%			0.00	3.14
Millsmont Academy (Aspire Public Schools)	Alameda	CA	4235	56.1%	212442	14.7%	0.02	3.82
Leadership Public Schools Richmond	Contra Costa	CA	2576	33.9%	87444	9.2%	0.03	3.69
Camino Nuevo Charter Academy High School	Los Angeles	CA	210	4.1%	916907	9.6%	0.00	0.43
View Park Preparatory Accelerated Middle	Los Angeles	CA	4849	88.0%			0.01	9.16
Animo Inglewood High School	Los Angeles	CA	1694	80.4%			0.00	8.38
Camino Nuevo Charter Academy - Middle School	Los Angeles	CA	464	10.3%			0.00	1.07
Academia Semillas Del Pueblo	Los Angeles	CA	238	5.0%			0.00	0.52
New Academy Of Science & Arts Charter School	Los Angeles	CA	198	2.9%			0.00	0.31
Animo Leadership Charter High School	Los Angeles	CA	267	6.6%			0.00	0.69
Envision Schools	San Francisco	CA	1509	17.8%	59060	7.6%	0.03	2.34
Highline Academy	Denver	CO	248	7.4%	60579	10.9%	0.00	0.68
KIPP Sunshine Peak Academy	Denver	CO	246	16.3%			0.00	1.50
Carbon Valley Academy	Weld	CO	12	0.2%	969	0.5%	0.01	0.34
Capital City Public Charter School	DC	DC	1514	32.2%	343213	60.0%	0.00	0.54
Cesar Chavez Public Policy Public Charter School	DC	DC	1404	57.3%			0.00	0.96
Cesar Chavez Public Charter School for Public Policy (Parkside Campus)	DC	DC	3045	99.0%			0.01	1.65
D.C. Preparatory Academy Public Charter School	DC	DC	2297	95.0%			0.01	1.58
Options Public Charter School	DC	DC	2997	92.4%			0.01	1.54
Sasha Bruce Public Charter School	DC	DC	525	24.5%			0.00	0.41
Thurgood Marshall Academy Public Charter School	DC	DC	2534	99.2%			0.01	1.65
Community Academy Public Charter School	DC	DC	1481	62.2%			0.00	1.04
Tree Of Life Public Charter School	DC	DC	2997	92.4%			0.01	1.54
Carlos Rosario International Public Charter School	DC	DC	1570	33.3%			0.00	0.55
Literacy/Leadership/Technology Academy	Hillsborough	FL	256	14.1%	147966	14.8%	0.00	0.95
Corebridge Educational Academy	Palm Beach	FL	323	8.2%	156496	13.8%	0.00	0.59
Thomas Jefferson Charter School	Canyon	ID	13	0.2%	337	0.3%	0.04	0.73
Community Montessori	Floyd	IN	77	1.1%	3226	4.6%	0.02	0.24
Charter School of the Dunes	Lake	IN	4817	75.8%	122279	25.2%	0.04	3.01
Gary Lighthouse Charter School	Lake	IN	5346	88.8%			0.04	3.52
Irvington Community School	Marion	IN	420	7.6%	207357	24.1%	0.00	0.32
Indianapolis Lighthouse Charter School	Marion	IN	1483	31.8%			0.01	1.32
Southeast Neighborhood School of Excellence	Marion	IN	138	4.2%			0.00	0.18
Berkshire Arts and Technology Charter School	Berkshire	MA	25	0.9%	2704	2.0%	0.01	0.44
Marblehead Community Charter School	Essex	MA	47	0.5%	17868	2.5%	0.00	0.22
Four Rivers Charter School	Franklin	MA	61	1.8%	531	0.7%	0.11	2.60
Holyoke Community Charter School	Hampden	MA	298	3.7%	36662	8.0%	0.01	0.46
Community Charter School of Cambridge	Middlesex	MA	141	6.3%	48093	3.3%	0.00	1.91
Edward Brooke Charter School	Suffolk	MA	754	17.1%	150969	21.9%	0.00	0.78
Frederick Douglass Charter School	Suffolk	MA	754	17.1%			0.00	0.78
Neighborhood House Charter School	Suffolk	MA	1662	45.2%			0.01	2.06
Three Oaks Public School Academy	Muskegon	MI	3607	37.6%	24037	14.1%	0.15	2.67
El Colegio Charter School	Hennepin	MN	357	12.0%	98138	8.8%	0.00	1.37
Aurora Charter School	Hennepin	MN	1138	34.4%			0.01	3.91
Augsburg Academy for Health Careers	Hennepin	MN	129	3.7%			0.00	0.43
Great River School	Ramsey	MN	66	1.9%	37414	7.3%	0.00	0.26
Academie Lafayette	Jackson	MO	272	5.4%	150202	22.9%	0.00	0.24
Artspace Charter	Buncombe	NC	64	1.0%	15063	7.3%	0.00	0.13
Evergreen Community Charter	Buncombe	NC	579	7.8%			0.04	1.06
Central Park School for Children	Durham	NC	1539	49.4%	87424	39.1%	0.02	1.26
Maureen Joy Charter	Durham	NC	1719	54.6%			0.02	1.40
Gaston College Preparatory	Gaston	NC	3112	56.3%	13113	59.4%	0.24	0.95
Kinston Charter Academy	Lenoir	NC	1572	37.2%	24188	40.6%	0.06	0.92
Sugar Creek Charter	Mecklenburg	NC	1483	56.0%	192666	27.7%	0.01	2.02
Casa Esperanza Montessori	Wake	NC	2913	31.7%	123058	19.6%	0.02	1.61
Sallie B Howard School	Wilson	NC	4597	71.7%	29350	39.8%	0.16	1.80
Team Academy Charter School	Essex	NJ	2173	91.0%	325185	41.0%	0.01	2.22
Paterson Charter School for Science and Technology	Passaic	NJ	1435	31.3%	63537	13.0%	0.02	2.41
Moreno Valley High School	Colfax	NM	58	1.0%	88	0.6%	0.66	1.67
Mariposa Academy Charter School	Washoe	NV	273	3.0%	6581	1.9%	0.04	1.60
Bronx Prep Charter School	Bronx	NY	1010	54.5%	473407	35.5%	0.00	1.54
Bronx Charter School - Arts	Bronx	NY	155	28.1%			0.00	0.79
Amber Charter School	New York	NY	2555	31.3%	265682	17.3%	0.01	1.81
Pinnacle Charter School	Erie	NY	1804	95.5%	122928	12.9%	0.01	7.40
KIPP Sankofa Charter School	Erie	NY	4528	86.6%			0.04	6.72
Charter School of Educational Excellence	Westchester	NY	1714	41.9%	128916	14.0%	0.01	3.00
Arthur Academy Public Charter School	Marion	OR	71	0.6%	2459	0.9%	0.03	0.69
First Philadelphia Charter School for Literacy	Philadelphia	PA	370	6.3%	653364	43.1%	0.00	0.15
Math, Civics, and Sciences Charter School	Philadelphia	PA	203	25.3%			0.00	0.59
Nueva Esperanza Academy Charter School	Philadelphia	PA	549	20.9%			0.00	0.48
Memphis Academy of Health Sciences	Shelby	TN	1527	99.7%	434127	48.4%	0.00	2.06
IDEA Academy	Hidalgo	TX	26	0.3%	2777	0.5%	0.01	0.60
East Fort Worth Montessori Academy	Tarrant	TX	1250	26.2%	182365	12.6%	0.01	2.08

Sources: 1. Location of schools: Grantee Annual Performance Reports geocoded by the authors.
2. Characteristics of Census tracts and counties in which assisted schools were located: U.S. Census 2000.

Exhibit D-7: Percentage American Indian residents, as of 2000, in tracts and counties with schools assisted by Grantees between FY 2003 and FY 2005

Assisted Schools	County	State	Tract Native American/American Indian in 2000		County Native American/American Indian in 2000		Ratio of 2000 Native American/American Indian and 2000 Native American/American Indian	
			Raw Count	Percentage	Raw Count	Percentage	Raw Count	Percentage
Benton County School Of Arts	Benton	AR	114	1.9%	2934	1.9%	0.04	1.01
Northland Preparatory Academy	Coconino	AZ	191	5.8%	32826	28.2%	0.01	0.20
Star School	Coconino	AZ	1138	12.7%			0.03	0.45
Arizona Agribusiness & Equine Center, Paradise Valley Campus	Maricopa	AZ	15	0.3%	55177	1.8%	0.00	0.18
Bell Canyon Charter School	Maricopa	AZ	52	1.3%			0.00	0.73
Excalibur Charter Schools, Avalon Academy Campus	Maricopa	AZ	0	0.0%			0.00	0.00
West Gilbert Charter Elementary School and West Gilbert Charter Middle School	Maricopa	AZ	47	1.5%			0.00	0.85
Arizona Agriculture and Equine Charter School	Maricopa	AZ	52	0.8%			0.00	0.45
Valle del Sol Incorporated	Maricopa	AZ	159	2.9%			0.00	1.60
City High School	Pima	AZ	40	6.5%	27440	3.3%	0.00	1.97
Calli Ollin Academy	Pima	AZ	40	6.5%			0.00	1.97
Millsmont Academy (Aspire Public Schools)	Alameda	CA	44	0.6%	9095	0.6%	0.00	0.97
Leadership Public Schools Richmond	Contra Costa	CA	66	0.9%	5501	0.6%	0.01	1.45
Camino Nuevo Charter Academy High School	Los Angeles	CA	73	1.4%	68471	0.7%	0.00	2.04
View Park Preparatory Accelerated Middle	Los Angeles	CA	22	0.4%			0.00	0.57
Animo Inglewood High School	Los Angeles	CA	17	0.8%			0.00	1.16
Camino Nuevo Charter Academy - Middle School	Los Angeles	CA	9	0.2%			0.00	0.29
Academia Semillas Del Pueblo	Los Angeles	CA	19	0.4%			0.00	0.57
New Academy Of Science & Arts Charter School	Los Angeles	CA	94	1.4%			0.00	1.99
Animo Leadership Charter High School	Los Angeles	CA	8	0.2%			0.00	0.29
Envision Schools	San Francisco	CA	36	0.4%	3524	0.5%	0.01	0.84
Highline Academy	Denver	CO	15	0.5%	7330	1.3%	0.00	0.35
KIPP Sunshine Peak Academy	Denver	CO	63	4.2%			0.01	3.21
Carbon Valley Academy	Weld	CO	65	0.9%	1650	0.9%	0.04	1.02
Capital City Public Charter School	DC	DC	40	0.9%	2006	0.4%	0.02	2.13
Cesar Chavez Public Policy Public Charter School	DC	DC	16	0.7%			0.01	1.63
Cesar Chavez Public Charter School for Public Policy (Parkside Campus)	DC	DC	9	0.3%			0.00	0.73
D.C. Preparatory Academy Public Charter School	DC	DC	0	0.0%			0.00	0.00
Options Public Charter School	DC	DC	5	0.2%			0.00	0.38
Sasha Bruce Public Charter School	DC	DC	0	0.0%			0.00	0.00
Thurgood Marshall Academy Public Charter School	DC	DC	0	0.0%			0.00	0.00
Community Academy Public Charter School	DC	DC	13	0.6%			0.01	1.38
Tree Of Life Public Charter School	DC	DC	5	0.2%			0.00	0.38
Carlos Rosario International Public Charter School	DC	DC	0	0.0%			0.00	0.00
Literacy/Leadership/Technology Academy	Hillsborough	FL	0	0.0%	4175	0.4%	0.00	0.00
Corebridge Educational Academy	Palm Beach	FL	24	0.6%	2706	0.2%	0.01	3.05
Thomas Jefferson Charter School	Canyon	ID	6	0.1%	875	0.7%	0.01	0.14
Community Montessori	Floyd	IN	0	0.0%	104	0.1%	0.00	0.00
Charter School of the Dunes	Lake	IN	17	0.3%	1236	0.3%	0.01	0.90
Gary Lighthouse Charter School	Lake	IN	24	0.4%			0.02	1.33
Irvington Community School	Marion	IN	0	0.0%	2873	0.3%	0.00	0.00
Indianapolis Lighthouse Charter School	Marion	IN	17	0.4%			0.01	1.20
Southeast Neighborhood School of Excellence	Marion	IN	0	0.0%			0.00	0.00
Berkshire Arts and Technology Charter School	Berkshire	MA	6	0.2%	153	0.1%	0.04	2.10
Marblehead Community Charter School	Essex	MA	11	0.1%	1623	0.2%	0.01	0.65
Four Rivers Charter School	Franklin	MA	0	0.0%	169	0.2%	0.00	0.00
Holyoke Community Charter School	Hampden	MA	13	0.2%	1024	0.2%	0.01	0.80
Community Charter School of Cambridge	Middlesex	MA	0	0.0%	2643	0.2%	0.00	0.00
Edward Brooke Charter School	Suffolk	MA	20	0.5%	3010	0.4%	0.01	1.13
Frederick Douglass Charter School	Suffolk	MA	20	0.5%			0.01	1.13
Neighborhood House Charter School	Suffolk	MA	29	0.8%			0.01	1.98
Three Oaks Public School Academy	Muskegon	MI	219	2.3%	1248	0.7%	0.18	3.26
El Colegio Charter School	Hennepin	MN	58	2.0%	10659	1.0%	0.01	1.95
Aurora Charter School	Hennepin	MN	212	6.4%			0.02	6.41
Augsburg Academy for Health Careers	Hennepin	MN	88	2.6%			0.01	2.55
Great River School	Ramsey	MN	34	1.0%	4581	0.9%	0.01	1.09
Academie Lafayette	Jackson	MO	9	0.2%	3334	0.5%	0.00	0.36
Artspace Charter	Buncombe	NC	31	0.5%	833	0.4%	0.04	1.18
Evergreen Community Charter	Buncombe	NC	15	0.2%			0.02	0.50
Central Park School for Children	Durham	NC	11	0.4%	778	0.3%	0.01	1.17
Maureen Joy Charter	Durham	NC	7	0.2%			0.01	0.73
Gaston College Preparatory	Gaston	NC	30	0.5%	53	0.2%	0.57	2.70
Kinston Charter Academy	Lenoir	NC	0	0.0%	110	0.2%	0.00	0.00
Sugar Creek Charter	Mecklenburg	NC	12	0.5%	3250	0.5%	0.00	0.90
Casa Esperanza Montessori	Wake	NC	0	0.0%	2271	0.4%	0.00	0.00
Sallie B Howard School	Wilson	NC	9	0.1%	125	0.2%	0.07	0.70
Team Academy Charter School	Essex	NJ	8	0.3%	1870	0.2%	0.00	1.70
Paterson Charter School for Science and Technology	Passaic	NJ	21	0.5%	1539	0.3%	0.01	1.53
Moreno Valley High School	Colfax	NM	61	1.1%	152	1.1%	0.40	0.96
Mariposa Academy Charter School	Washoe	NV	234	2.6%	6212	1.8%	0.04	1.45
Bronx Prep Charter School	Bronx	NY	28	1.5%	10429	0.8%	0.00	1.89
Bronx Charter School - Arts	Bronx	NY	19	3.4%			0.00	4.30
Amber Charter School	New York	NY	42	0.5%	6904	0.4%	0.01	1.28
Pinnacle Charter School	Erie	NY	0	0.0%	6032	0.6%	0.00	0.00
KIPP Sankofa Charter School	Erie	NY	16	0.3%			0.00	0.52
Charter School of Educational Excellence	Westchester	NY	46	1.1%	2633	0.3%	0.02	3.77
Arthur Academy Public Charter School	Marion	OR	22	0.2%	3770	1.3%	0.01	0.15
First Philadelphia Charter School for Literacy	Philadelphia	PA	6	0.1%	4413	0.3%	0.00	0.33
Math, Civics, and Sciences Charter School	Philadelphia	PA	17	2.1%			0.00	7.07
Nueva Esperanza Academy Charter School	Philadelphia	PA	10	0.4%			0.00	1.27
Memphis Academy of Health Sciences	Shelby	TN	0	0.0%	1722	0.2%	0.00	0.00
IDEA Academy	Hidalgo	TX	0	0.0%	2093	0.4%	0.00	0.00
East Fort Worth Montessori Academy	Tarrant	TX	10	0.2%	8809	0.6%	0.00	0.35

Sources: 1. Location of schools: Grantee Annual Performance Reports geocoded by the authors.
2. Characteristics of Census tracts and counties in which assisted schools were located: U.S. Census 2000.

Exhibit D-8: Percentage of other race residents, as of 2000, in tracts and counties with schools assisted by Grantees between FY 2003 and FY 2005

Assisted Schools	County	State	Tract Other Race in 2000		County Other Race in 2000		Ratio of 2000 Other Race and 2000 Other Race	
			Raw Count	Percentage	Raw Count	Percentage	Raw Count	Percentage
Benton County School Of Arts	Benton	AR	223	3.8%	10237	6.7%	0.02	0.56
Northland Preparatory Academy	Coconino	AZ	181	5.5%	8424	7.2%	0.02	0.76
Star School	Coconino	AZ	421	4.7%			0.05	0.65
Arizona Agribusiness & Equine Center, Paradise Valley Campus	Maricopa	AZ	500	10.5%	529997	17.3%	0.00	0.61
Bell Canyon Charter School	Maricopa	AZ	394	9.9%			0.00	0.57
Excalibur Charter Schools, Avalon Academy Campus	Maricopa	AZ	582	11.1%			0.00	0.64
West Gilbert Charter Elementary School and West Gilbert Charter Middle School	Maricopa	AZ	161	5.3%			0.00	0.30
Arizona Agriculture and Equine Charter School	Maricopa	AZ	429	6.7%			0.00	0.38
Valle del Sol Incorporated	Maricopa	AZ	959	17.4%			0.00	1.01
City High School	Pima	AZ	83	13.5%	159286	18.9%	0.00	0.71
Calli Ollin Academy	Pima	AZ	83	13.5%			0.00	0.71
Millsmont Academy (Aspire Public Schools)	Alameda	CA	2100	27.8%	519764	36.0%	0.00	0.77
Leadership Public Schools Richmond	Contra Costa	CA	2793	36.8%	236295	24.9%	0.01	1.48
Camino Nuevo Charter Academy High School	Los Angeles	CA	4065	79.5%	3911201	41.1%	0.00	1.93
View Park Preparatory Accelerated Middle	Los Angeles	CA	382	6.9%			0.00	0.17
Animo Inglewood High School	Los Angeles	CA	157	7.5%			0.00	0.18
Camino Nuevo Charter Academy - Middle School	Los Angeles	CA	2749	60.7%			0.00	1.48
Academia Semillas Del Pueblo	Los Angeles	CA	2975	62.8%			0.00	1.53
New Academy Of Science & Arts Charter School	Los Angeles	CA	4579	68.0%			0.00	1.65
Animo Leadership Charter High School	Los Angeles	CA	2519	62.5%			0.00	1.52
Envision Schools	San Francisco	CA	5429	64.0%	328824	42.3%	0.02	1.51
Highline Academy	Denver	CO	183	5.5%	124658	22.5%	0.00	0.24
KIPP Sunshine Peak Academy	Denver	CO	579	38.4%			0.00	1.71
Carbon Valley Academy	Weld	CO	1007	14.3%	30701	17.0%	0.03	0.84
Capital City Public Charter School	DC	DC	2145	45.6%	51534	9.0%	0.04	5.07
Cesar Chavez Public Policy Public Charter School	DC	DC	321	13.1%			0.01	1.46
Cesar Chavez Public Charter School for Public Policy (Parkside Campus)	DC	DC	21	0.7%			0.00	0.08
D.C. Preparatory Academy Public Charter School	DC	DC	0	0.0%			0.00	0.00
Options Public Charter School	DC	DC	92	2.8%			0.00	0.32
Sasha Bruce Public Charter School	DC	DC	139	6.5%			0.00	0.72
Thurgood Marshall Academy Public Charter School	DC	DC	8	0.3%			0.00	0.03
Community Academy Public Charter School	DC	DC	525	22.0%			0.01	2.45
Tree Of Life Public Charter School	DC	DC	92	2.8%			0.00	0.32
Carlos Rosario International Public Charter School	DC	DC	1037	22.0%			0.02	2.44
Literacy/Leadership/Technology Academy	Hillsborough	FL	191	10.5%	96310	9.6%	0.00	1.10
Corebridge Educational Academy	Palm Beach	FL	280	7.1%	78740	7.0%	0.00	1.01
Thomas Jefferson Charter School	Canyon	ID	1461	24.4%	21469	16.3%	0.07	1.50
Community Montessori	Floyd	IN	82	1.2%	1442	2.0%	0.06	0.59
Charter School of the Dunes	Lake	IN	373	5.9%	37835	7.8%	0.01	0.75
Gary Lighthouse Charter School	Lake	IN	184	3.1%			0.00	0.39
Irvington Community School	Marion	IN	90	1.6%	44469	5.2%	0.00	0.32
Indianapolis Lighthouse Charter School	Marion	IN	120	2.6%			0.00	0.50
Southeast Neighborhood School of Excellence	Marion	IN	49	1.5%			0.00	0.29
Berkshire Arts and Technology Charter School	Berkshire	MA	15	0.5%	3764	2.8%	0.00	0.19
Marblehead Community Charter School	Essex	MA	171	2.0%	79106	10.9%	0.00	0.18
Four Rivers Charter School	Franklin	MA	226	6.7%	2334	3.3%	0.10	2.04
Holyoke Community Charter School	Hampden	MA	1967	24.2%	58663	12.9%	0.03	1.88
Community Charter School of Cambridge	Middlesex	MA	456	20.4%	156716	10.7%	0.00	1.90
Edward Brooke Charter School	Suffolk	MA	707	16.0%	137796	20.0%	0.01	0.80
Frederick Douglass Charter School	Suffolk	MA	707	16.0%			0.01	0.80
Neighborhood House Charter School	Suffolk	MA	958	26.1%			0.01	1.30
Three Oaks Public School Academy	Muskegon	MI	584	6.1%	6485	3.8%	0.09	1.60
El Colegio Charter School	Hennepin	MN	511	17.2%	107340	9.6%	0.00	1.79
Aurora Charter School	Hennepin	MN	989	29.9%			0.01	3.12
Augsburg Academy for Health Careers	Hennepin	MN	177	5.1%			0.00	0.53
Great River School	Ramsey	MN	371	10.7%	73300	14.3%	0.01	0.75
Academie Lafayette	Jackson	MO	214	4.3%	42342	6.5%	0.01	0.66
Artspace Charter	Buncombe	NC	146	2.2%	6889	3.3%	0.02	0.67
Evergreen Community Charter	Buncombe	NC	272	3.7%			0.04	1.11
Central Park School for Children	Durham	NC	368	11.8%	21042	9.4%	0.02	1.26
Maureen Joy Charter	Durham	NC	111	3.5%			0.01	0.37
Gaston College Preparatory	Gaston	NC	74	1.3%	261	1.2%	0.28	1.12
Kinston Charter Academy	Lenoir	NC	140	3.3%	1867	3.1%	0.07	1.07
Sugar Creek Charter	Mecklenburg	NC	335	12.7%	54182	7.8%	0.01	1.62
Casa Esperanza Montessori	Wake	NC	837	9.1%	48589	7.7%	0.02	1.18
Sallie B Howard School	Wilson	NC	580	9.0%	3418	4.6%	0.17	1.97
Team Academy Charter School	Essex	NJ	182	7.6%	113641	14.3%	0.00	0.53
Paterson Charter School for Science and Technology	Passaic	NJ	1727	37.7%	119494	24.4%	0.01	1.54
Moreno Valley High School	Colfax	NM	801	13.9%	2367	16.7%	0.34	0.83
Mariposa Academy Charter School	Washoe	NV	3231	36.0%	54071	15.9%	0.06	2.27
Bronx Prep Charter School	Bronx	NY	592	32.0%	450284	33.8%	0.00	0.95
Bronx Charter School - Arts	Bronx	NY	178	32.3%			0.00	0.95
Amber Charter School	New York	NY	3173	38.9%	429311	27.9%	0.01	1.39
Pinnacle Charter School	Erie	NY	28	1.5%	39370	4.1%	0.00	0.36
KIPP Sankofa Charter School	Erie	NY	121	2.3%			0.00	0.08
Charter School of Educational Excellence	Westchester	NY	1493	36.5%	132859	14.4%	0.01	2.54
Arthur Academy Public Charter School	Marion	OR	3455	30.0%	45896	16.1%	0.08	1.86
First Philadelphia Charter School for Literacy	Philadelphia	PA	832	14.1%	175170	11.5%	0.00	1.23
Math, Civics, and Sciences Charter School	Philadelphia	PA	192	24.0%			0.00	2.08
Nueva Esperanza Academy Charter School	Philadelphia	PA	1252	47.6%			0.01	4.14
Memphis Academy of Health Sciences	Shelby	TN	0	0.0%	37100	4.1%	0.00	0.00
IDEA Academy	Hidalgo	TX	1236	14.3%	122014	21.4%	0.01	0.67
East Fort Worth Montessori Academy	Tarrant	TX	461	9.7%	224431	15.5%	0.00	0.62

Sources: 1. Location of schools: Grantee Annual Performance Reports geocoded by the authors.
2. Characteristics of Census tracts and counties in which assisted schools were located: U.S. Census 2000.

Exhibit D-9: Percentage of Hispanic residents, as of 2000, in tracts and counties with schools assisted by Grantees between FY 2003 and FY 2005

Assisted Schools	County	State	Tract Hispanic Origin in 2000		County Hispanic Origin in 2000		Ratio of 2000 Tract Hispanic Origin and 2000 County Hispanic Origin	
			Raw Count	Percentage	Raw Count	Percentage	Raw Count	Percentage
Benton County School Of Arts	Benton	AR	408	6.9%	13214	8.6%	0.03	0.80
Northland Preparatory Academy	Coconino	AZ	287	8.7%	12692	10.9%	0.02	0.79
Star School	Coconino	AZ	783	8.7%			0.06	0.80
Arizona Agribusiness & Equine Center, Paradise Valley Campus	Maricopa	AZ	858	18.1%	763333	24.8%	0.00	0.73
Bell Canyon Charter School	Maricopa	AZ	677	17.0%			0.00	0.68
Excalibur Charter Schools, Avalon Academy Campus	Maricopa	AZ	890	17.0%			0.00	0.68
West Gilbert Charter Elementary School and West Gilbert Charter Middle School	Maricopa	AZ	350	11.4%			0.00	0.46
Arizona Agriculture and Equine Charter School	Maricopa	AZ	595	9.2%			0.00	0.37
Valle del Sol Incorporated	Maricopa	AZ	1192	21.6%			0.00	0.87
City High School	Pima	AZ	153	24.9%	247861	29.4%	0.00	0.85
Calli Ollin Academy	Pima	AZ	153	24.9%			0.00	0.85
Millsmont Academy (Aspire Public Schools)	Alameda	CA	2487	32.9%	273887	19.0%	0.01	1.74
Leadership Public Schools Richmond	Contra Costa	CA	3828	50.4%	168059	17.7%	0.02	2.84
Camino Nuevo Charter Academy High School	Los Angeles	CA	1624	31.7%	4243487	44.6%	0.00	0.71
View Park Preparatory Accelerated Middle	Los Angeles	CA	178	3.2%			0.00	0.07
Animo Inglewood High School	Los Angeles	CA	241	11.4%			0.00	0.26
Camino Nuevo Charter Academy - Middle School	Los Angeles	CA	1871	41.3%			0.00	0.93
Academia Semillas Del Pueblo	Los Angeles	CA	3731	78.8%			0.00	1.77
New Academy Of Science & Arts Charter School	Los Angeles	CA	6230	92.5%			0.00	2.07
Animo Leadership Charter High School	Los Angeles	CA	496	12.3%			0.00	0.28
Envision Schools	San Francisco	CA	1222	14.4%	109565	14.1%	0.01	1.02
Highline Academy	Denver	CO	198	5.9%	176063	31.7%	0.00	0.19
KIPP Sunshine Peak Academy	Denver	CO	980	64.9%			0.01	2.05
Carbon Valley Academy	Weld	CO	1622	23.0%	48898	27.0%	0.03	0.85
Capital City Public Charter School	DC	DC	2379	50.6%	45015	7.9%	0.05	6.43
Cesar Chavez Public Policy Public Charter School	DC	DC	418	17.1%			0.01	2.17
Cesar Chavez Public Charter School for Public Policy (Parkside Campus)	DC	DC	16	0.5%			0.00	0.07
D.C. Preparatory Academy Public Charter School	DC	DC	57	2.4%			0.00	0.30
Options Public Charter School	DC	DC	132	4.1%			0.00	0.52
Sasha Bruce Public Charter School	DC	DC	63	2.9%			0.00	0.37
Thurgood Marshall Academy Public Charter School	DC	DC	8	0.3%			0.00	0.04
Community Academy Public Charter School	DC	DC	577	24.2%			0.01	3.08
Tree Of Life Public Charter School	DC	DC	132	4.1%			0.00	0.52
Carlos Rosario International Public Charter School	DC	DC	1264	26.8%			0.03	3.40
Literacy/Leadership/Technology Academy	Hillsborough	FL	474	26.2%	179637	18.0%	0.00	1.45
Corebridge Educational Academy	Palm Beach	FL	387	9.8%	140568	12.4%	0.00	0.79
Thomas Jefferson Charter School	Canyon	ID	1672	28.0%	24503	18.6%	0.07	1.50
Community Montessori	Floyd	IN	42	0.6%	685	1.0%	0.06	0.62
Charter School of the Dunes	Lake	IN	356	5.6%	58798	12.1%	0.01	0.46
Gary Lighthouse Charter School	Lake	IN	225	3.7%			0.00	0.31
Irvington Community School	Marion	IN	58	1.1%	32188	3.7%	0.00	0.28
Indianapolis Lighthouse Charter School	Marion	IN	15	0.3%			0.00	0.09
Southeast Neighborhood School of Excellence	Marion	IN	157	4.8%			0.00	1.29
Berkshire Arts and Technology Charter School	Berkshire	MA	39	1.4%	2223	1.6%	0.02	0.83
Marblehead Community Charter School	Essex	MA	34	0.4%	79629	11.0%	0.00	0.04
Four Rivers Charter School	Franklin	MA	77	2.3%	1227	1.7%	0.06	1.34
Holyoke Community Charter School	Hampden	MA	2532	31.2%	69046	15.1%	0.04	2.06
Community Charter School of Cambridge	Middlesex	MA	160	7.2%	66436	4.5%	0.00	1.58
Edward Brooke Charter School	Suffolk	MA	764	17.3%	107352	15.6%	0.01	1.11
Frederick Douglass Charter School	Suffolk	MA	764	17.3%			0.01	1.11
Neighborhood House Charter School	Suffolk	MA	544	14.8%			0.01	0.95
Three Oaks Public School Academy	Muskegon	MI	547	5.7%	5775	3.4%	0.09	1.68
El Colegio Charter School	Hennepin	MN	259	8.7%	45424	4.1%	0.01	2.15
Aurora Charter School	Hennepin	MN	851	25.7%			0.02	6.32
Augsburg Academy for Health Careers	Hennepin	MN	194	5.6%			0.00	1.38
Great River School	Ramsey	MN	73	2.1%	27210	5.3%	0.00	0.40
Academie Lafayette	Jackson	MO	168	3.3%	34925	5.3%	0.00	0.63
Artspace Charter	Buncombe	NC	153	2.3%	5469	2.7%	0.03	0.87
Evergreen Community Charter	Buncombe	NC	143	1.9%			0.03	0.72
Central Park School for Children	Durham	NC	434	13.9%	16994	7.6%	0.03	1.83
Maureen Joy Charter	Durham	NC	303	9.6%			0.02	1.26
Gaston College Preparatory	Gaston	NC	83	1.5%	128	0.6%	0.65	2.59
Kinston Charter Academy	Lenoir	NC	119	2.8%	1852	3.1%	0.06	0.91
Sugar Creek Charter	Mecklenburg	NC	598	22.6%	44954	6.5%	0.01	3.49
Casa Esperanza Montessori	Wake	NC	492	5.4%	34135	5.4%	0.01	0.98
Sallie B Howard School	Wilson	NC	919	14.3%	4122	5.6%	0.22	2.57
Team Academy Charter School	Essex	NJ	186	7.8%	122770	15.5%	0.00	0.50
Paterson Charter School for Science and Technology	Passaic	NJ	2478	54.0%	146679	30.0%	0.02	1.80
Moreno Valley High School	Colfax	NM	2316	40.1%	6742	47.5%	0.34	0.84
Mariposa Academy Charter School	Washoe	NV	4825	53.8%	56304	16.6%	0.09	3.24
Bronx Prep Charter School	Bronx	NY	761	41.1%	645222	48.4%	0.00	0.85
Bronx Charter School - Arts	Bronx	NY	440	79.7%			0.00	1.65
Amber Charter School	New York	NY	4719	57.9%	418005	27.2%	0.01	2.13
Pinnacle Charter School	Erie	NY	8	0.4%	30760	3.2%	0.00	0.13
KIPP Sankofa Charter School	Erie	NY	42	0.8%			0.00	0.25
Charter School of Educational Excellence	Westchester	NY	1882	46.1%	144550	15.7%	0.01	2.94
Arthur Academy Public Charter School	Marion	OR	4680	40.7%	49005	17.2%	0.10	2.36
First Philadelphia Charter School for Literacy	Philadelphia	PA	461	7.8%	128300	8.5%	0.00	0.93
Math, Civics, and Sciences Charter School	Philadelphia	PA	94	11.7%			0.00	1.39
Nueva Esperanza Academy Charter School	Philadelphia	PA	1961	74.5%			0.02	8.81
Memphis Academy of Health Sciences	Shelby	TN	5	0.3%	22322	2.5%	0.00	0.13
IDEA Academy	Hidalgo	TX	7973	92.3%	503526	88.4%	0.02	1.04
East Fort Worth Montessori Academy	Tarrant	TX	649	13.6%	285338	19.7%	0.00	0.69

Sources: 1. Location of schools: Grantee Annual Performance Reports geocoded by the authors.
2. Characteristics of Census tracts and counties in which assisted schools were located: U.S. Census 2000.

Appendix E: Program Grant Recipients: FY 2002–FY 2007

America's Charter School Finance Corporation/Building Hope 910 17th Street, NW, Suite 1100, Washington, DC 20001 Project Director: Joe Bruno FY 2002: $5 million	Local Initiatives Support Corporation 501 Seventh Avenue, 7th Floor, New York, NY 10017 Project Director: Elise Balboni FY 2003: $10 million FY 2006: $8.2 million
California Charter Schools Association 250 E. 1st St., Suite 1000, Los Angeles, CA 90012 Project Director: Adam Miller FY 2005: $10 million	Low Income Investment Fund 100 Pine Street, Suite 1800, San Francisco, CA 94111 Project Director: Susan Harper FY 2002: $3 million FY 2007: $5 million
Charter Schools Development Corporation 7272 Park Circle Drive, Suite 265, Hanover, MD 21076 Contact person: Michelle Liberati FY 2002: $10 million FY 2004: $5 million FY 2006: $6.6 million	Massachusetts Development Finance Agency 160 Federal Street, Boston, MA 02110 Project Director: Rebecca Sullivan FY 2003: $10 million
Community Loan Fund of New Jersey, Inc. 16-18 West Lafayette Street, Trenton, NJ 08608 Project Director: David Scheck FY 2006: $8.15 million	Michigan Public Educational Facilities Authority 430 W. Allegan Street, Lansing, MI 48922 Project Director: Kathleen O'Keefe FY 2007: $6.5 million
District of Columbia Office of the State Superintendent of Education 441 4th Street, NW, 350 North, Washington, DC 20001 Contact person: Stefan Huh FY 2004: $5 million	NCB Capital Impact 2011 Crystal Drive, Suite 800, Arlington, VA 22202 Project Director: Annie Donovan FY 2002: $10 million FY 2003: $8 million
Housing Partnership Network, Inc. 160 State Street, 5th Floor, Boston, MA 02109 Project Director: Thomas Bledsoe FY 2007: $15 million	Raza Development Fund 111 W. Monroe Street, Suite #1610, Phoenix, AZ 85003 Project Director: Mark Van Brunt FY 2002: $5 million FY 2004: $8 million FY 2006: $1.6 million
IFF One North LaSalle Street, Suite 700, Chicago, IL 60602 Project Director: Jill Levine FY 2005: $8 million FY 2007: $ 10 million	The Reinvestment Fund 718 Arch Street, Suite 300N, Philadelphia, PA 19106-1591 Project Director: Donald R. Hinkle-Brown FY 2005: $10 million
Indianapolis Local Improvement Bond Bank 200 East Washington Street, 2421, Indianapolis, IN 46204 Project Director: Barbara Lawrence FY 2005: $2 million	Self-Help 301 West Main Street, Durham, NC 27702 Contact person: Jane Ellis FY 2003: $8 million FY 2006: $ 2.2 million
KIPP Foundation 345 Spear Street, Suite 510, San Francisco, CA 94105 Project Director: Carmen Maldonado FY 2006: $6.8 million	Texas Public Finance Authority 300 W. 15th Street, Suite 411, Austin, TX 78711 Project Director: Kim Edwards FY 2005: $10 million

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