REDUCING FACILITY COSTS

How Idaho is Helping Charter Schools Focus Resources on Instruction

ExcelinEd

BLUUM
LET LEARNING GROW

Foreword

By Terry Ryan, Marc Carignan and Keith Donahue

Idaho's public charter school sector has been growing fast over the last decade. Since 2015 our state has added about 17,800 new school seats in 26 new school buildings. In the early days of this new school growth the financing for new school construction was solely dependent on the generosity of the J.A. and Kathryn Albertson Family Foundation (JKAF), and the lending of the private sector.

JKAF funded a Program Related Investment (PRI) fund that was managed by the nonprofit facility financing partner Building Hope. Building Hope was recruited by JKAF to use their PRI support to structure facility financing deals that leveraged their philanthropic support to garner less costly charter school facility financing from private lenders and banks.

Over time inflation and higher interest rates have driven up the costs associated with building and financing public charter school facilities across Idaho. Yet, the need for new school seats hasn't gone away. Our state has continued to grow, add students and need new school options for families. To continue financing school construction for public charter schools we needed the state of Idaho to step up and do more. To its credit the state has done just that.

In 2019 the Idaho Legislature created the public charter school facilities program, which allowed high performing public charter schools to refinance their facility costs under the state's credit rating. This state support has been invaluable to eligible schools that refinance their shorter-term debt into 30 or 35-year bond deals. A key partner in this work has been led by the Idaho Housing and Finance Association that issues the nonprofit facility bonds for these deals.

In 2023 the Idaho Legislature went further and created a $50 million revolving loan fund for public charter schools based on the design, experience and success of the JKAF/Building Hope PRI model. The state of Idaho is now a partner in the facility financing of public charter schools through this revolving loan fund with the private and philanthropic sector.

This story of doing more with less is described brilliantly in this report by the Foundation for Excellence in Education's (Excel*in*Ed) Matthew Joseph. The lead takeaway from the school finance researcher Joseph is that through a series of evolving and smart public/private partnerships the state of Idaho has saved over $110 million for its taxpayers in lower financing costs for participating public charter schools. These saving have allowed participating schools to hire on average 10 teachers more than they would be able to do otherwise. This is incredibly important as Idaho's public charter schools do not have access to any local taxpayer support such as levies. Charters operate on only the state and federal funds that follow students to the school their parents chose for their education.

Bluum is excited to share the findings from this report. We are incredibly grateful to Matthew Joseph and the Excel*in*Ed team for agreeing to take this effort on for us in Idaho. We believe there are important lessons here that go beyond just the efforts of our public charter school sector. We hope this report is read widely across Idaho, and indeed across the country as there are lessons here for other states beyond our own.

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Introduction

In recent years, Idaho state policymakers have enacted policies to reduce the cost of borrowing for charter schools that want to build or purchase their own buildings. First, the state provides no-interest loans as charter schools are getting started. Then, the state helps charter schools secure longer-term private financing at lower interest rates.

Excel*in*Ed researched the cost and impact of these policies, considering how much charter schools would have paid for financing without support.

Methodology

For each charter school, Excel*in*Ed determined the actual cost of facility financing and compared that to what the charter school would have paid without support.[1]

During their initial five years, charter schools in Idaho secured no-interest loans through the state's revolving loan fund, often matched with low-interest loans and grants from philanthropic sources. Charter schools then borrowed the remainder they needed from private banks, who offered lowered interest rates because of the other funds already secured. After five years of strong performance, charter schools secured long-term bond financing with support from the state's moral obligation program.[2] Because of the state's backing, charter schools paid less in interest rate. They also only borrowed enough to pay off their outstanding short-term debt, not the increased value of the building after five years of significant inflation in real estate prices.

Idaho is highlighting the huge benefit of well-designed facility financing policies that work together to leverage private investment and maximize savings so that charter schools can invest more in instruction.

Without the benefit of the loans and grants, charter schools would have paid a higher interest rate to banks during their first five years, and they would have borrowed more. Excel*in*Ed determined the interest rates charged by banks for similar charter schools seeking financing at the same time without support. After five years, charter schools without the backing of Idaho's moral obligation program would have paid a higher interest rate to bond investors. They would have borrowed more money, as the property would have increased in value during the five years. Excel*in*Ed researched the interest rates bond investors would have required without support and how much schools would have borrowed if they needed to pay the updated building value.[3]

Savings were annualized over five years for the initial loans and then over 10 years for the long-term financing. These yearly savings were converted in teachers using the most recent salary data available for Idaho.

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1 - The study includes charter schools that received loans through the state's revolving loan fund or had their long-term financing supported by the state's moral obligation program. Because the revolving loan fund is relatively new, schools were also included if they received low-interest loans from private sources.

2 - Under moral obligation, a state's legislature may, but is not required to, pay for bond defaults if they occur. See Excel*in*Ed, *Addressing Charter School Facility Needs* (2022).

3 - To determine the bond interest rates, Excel*in*Ed consulted with Wes Olson, Managing Director at Raymond James. If the updated value of the specific building was not available, our research found that the appreciation was about 33 percent.

Findings

The study found no cost to the state so far, as loans are getting repaid, and no charter school has defaulted on its financing. As shown in Chart I, charter schools are saving $114 million in lower financing payments. These savings are the equivalent of 10 additional teachers per charter school.

Based on interviews and case studies, Excel*in*Ed found that charter schools used these savings to hire more teachers, pay higher salaries and provide equipment necessary for their instructional programs. Indeed, the leaders of these schools questioned whether their schools would even exist without the support they received.

In short, at no cost to state taxpayers, Idaho is providing massive benefit to charter schools, so that they pay less to landlords and private investors and can invest significantly more in instruction.

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These savings are particularly important because, unlike traditional public schools, charter schools have to pay for their facilities without the benefit of local funding. Excel*in*Ed previously found that Idaho is meeting only 30 percent of the facility-related costs of its charter schools, and without change, the support will drop to 23 percent in five years. Charter schools are having to divert $1,752 per student intended for instruction to pay for their facilities.[4]

Discussion

There are several critical ingredients in this remarkable success story.

First, Idaho enacted well-designed policies that address barriers at two different points in time. The [revolving loan fund] helps charter schools during their early years when private investors significantly overestimate risk and charge exorbitant interest rates. The [moral obligation program] helps charter schools once they have a strong track record, but investors are still charging high interest rates. The state is implementing these policies extremely well to limit risk while providing maximum benefit.

Second, the state policies are taking advantage of significant private support that multiplies the overall impact. Newer charter schools can use their no-interest loans to secure a low-interest match from philanthropic sources. These two loans are a significant portion of the total purchase cost, which means that banks are willing to loan the remainder needed at a lower interest rate. These private lenders have also agreed that the school can use long-term financing to pay off its outstanding debt. In contrast, other investors often require a school to pay the updated value of the building, which will have increased significantly.

Idaho is highlighting the huge benefit of well-designed facility financing policies that work together to leverage private investment and maximize savings so that charter schools can invest more in instruction. Indeed, there can be no higher return on investment than a policy that costs the state nothing but saves significant taxpayer resources.

4 - See Excel*in*Ed, *Building for Success in Idaho 2024* (2024).

Chart 1	Charter School Facility Costs: Without Support and Actual (With Support) Over 15 Years				
	Without Support	Actual (With Support)	Total Savings	Annual Savings	Teachers Saved
Alturas International Academy, Idaho Falls	$11,258,210	$6,731,720	$4,526,490	$301,766	6
Alturas Preparatory Academy, Idaho Falls	$7,730,273	$3,665,797	$4,064,476	$812,895	15
Anser Charter School, Boise	$8,931,898	$5,168,926	$3,762,972	$250,865	5
Elevate Academy, Caldwell	$20,638,865	$12,623,961	$8,014,904	$534,327	10
Elevate Academy, Idaho Falls	$10,144,156	$4,280,856	$5,863,301	$1,172,660	22
Elevate Academy, Nampa	$8,538,464	$4,229,679	$4,308,785	$861,757	16
Elevate Academy, North Idaho	$7,678,394	$3,956,887	$3,721,507	$744,301	14
Future Public School, Garden City	$14,838,919	$8,331,014	$6,507,905	$433,860	8
Gem Prep: Meridian	$13,210,394	$6,607,303	$6,603,090	$440,206	8
Gem Prep: Meridian South	$7,513,426	$3,804,331	$3,709,095	$741,819	14
Gem Prep: Nampa	$13,578,191	$7,681,520	$5,896,671	$393,111	7
Gem Prep: Pocatello	$10,346,843	$5,676,949	$4,669,895	$311,326	6
Gem Prep: Twin Falls	$9,846,606	$4,227,958	$5,618,648	$1,123,730	21
Idaho Novus Classical Academy	$8,783,960	$3,891,892	$4,892,069	$978,414	18
MOSAICS Public School, Caldwell	$15,474,410	$8,061,576	$7,412,834	$494,189	9
Sage International School Middleton	$21,928,173	$11,891,890	$10,036,283	$669,086	12
Sage International School, Boise	$17,178,334	$9,035,255	$8,143,079	$542,872	10
The Academy, Inc. (ABN Connor Academy)	$17,721,404	$14,042,545	$3,678,859	$245,257	5
Treasure Valley Classical Academy, Fruitland	$13,042,779	$6,372,396	$6,372,396	$424,826	8
Treasure Valley Classical Academy, Phase 2	$10,769,655	$8,860,599	$1,909,056	$127,270	2
White Pine Charter School, Idaho Falls	$13,636,333	$10,452,204	$3,184,129	$212,275	4
Totals	**$265,875,224**	**$145,190,348**	**$112,896,443**	**$11,816,814**	**221**
Average	**$12,085,237**	**$6,599,561**	**$5,131,657**	**$537,128**	**10**

CASE STUDY: Sage International School Middleton

State Reduces Financing Costs, Leverages Private Resources to Produce Major Savings

Sage International School Middleton opened in 2019 as an elementary school in western Treasure Valley. For the 2024-25 school year, the school has more than 400 students enrolled through the 11th grade, and it is still growing. The school offers the International Baccalaureate program, a highly regarded college preparatory program.

To acquire its building, the school had secured a low-interest loan from philanthropic sources, as well as some grants to cover pre-development costs. With a large fraction of the purchase cost secured, a bank loaned the remainder needed at a lower interest. As a result, the school had lower facility-related costs during its first five years.

However, Sage Middelton needed long-term financing to stay in its building. Despite strong student outcomes and excellent financials, private investors were asking for a high interest rate. Fortunately, the school qualified for the Idaho's moral obligation program, through which investors can expect the state to pay if there is a default. As a result, Sage Middleton secured financing at a lower interest rate.

In addition, Sage Middleton's initial lenders allowed the school to use the moral obligation financing to pay off the outstanding debt. In contrast, private investors often require a buy out at the updated and considerably higher appraised value of the building. In other words, as a result of the moral obligation program, the school not only paid a lower interest rate but also had to borrow millions of dollars less.

"The lower financing costs meant we could provide not only the appropriate facilities for a college preparatory program but also hire enough teachers and staff to support an International Baccalaureate program," said Emily Downey, Director of Finance and Operations for Sage International Network of Schools.

The chart below compares the facility financing costs for Sage Middleton, with support it received and without that support. It first shows the benefit during the first five years of the low-cost loans. With support, the annual cost was $541,313. Without support, the school would have paid $781,071 for each of the first five years.

Next, the chart shows how the school borrowed $15.2 million to pay off its debt and cover expansion costs. If it had to pay for the updated value of the building, it would have needed to finance $20.2 million. The moral obligation backing also reduced the interest rate. As a result, the annual cost to the school is $792,783 in comparison to $1,461,878 without the program.

Altogether the average savings over 15 years are $669,086 per year. This is the equivalent of 12 teachers.

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>
> *- Emily Downey, Sage International Network of Schools*

Chart 2 — Sage International School Middleton

	With Support	Without Support
First Five Years		
No-Interest State Loan	$0	$0
Private Low-Interest Loans	$2,640,000	$0
Bank Loan	$5,460,000	$9,005,068
Total Cost	$8,100,000	$9,005,068
Annual Cost	$541,313	$781,071
After First Five Years		
Long-Term Bond Financing	$15,215,000	$20,235,950
Annual Cost	$918,492	$1,508,994
Through 15 Years		
Total Cost	$11,891,890	$21,928,173
Annual Cost	$792,793	$1,461,878
Annual Savings	$669,086	
Teachers Saved	12	

CASE STUDY: Idaho Novus Classical Academy

No-Interest State Loan Leverages Private Resources, Produces Major Savings

Idaho Novus Classical Academy is located in Avimor about 30 minutes north of Boise. It opened for the first time during the 2024-25 school year with about 378 students in grades K-6. It plans to add a grade level each year until it is K-12.

When looking for a building, affordability was a major obstacle. Fortunately, the school secured a no-interest loan through Idaho's new revolving loan fund. This was matched by low-interest loans from private philanthropic sources, as well as grants to support pre-development costs. Because the school had already secured more than half the purchase cost, a bank was then willing to loan the remaining needed and at a lower interest rate.

Without the benefit of the state's no-interest loan, Idaho Novus Classical Academy would have needed to borrow the full purchase cost at a higher interest rate. This would have placed the school's facility-related costs well over 20 percent of their total expenditures.

"We could not have sustained the school financially without the state's no-interest loan," said Stephen Lambert, CEO of American Classical Schools of Idaho. "Not only would we have hired fewer teachers, but we would also have had to pay them significantly lower salaries."

The chart below compares the facility financing costs for Idaho Novus Classical School with support and without support. With support, the annual cost is $778,378. Without support, the school would be paying $1,756,792 each year. The annual savings are $978,414. This is the equivalent of hiring an additional 18 teachers.

Once the current sixth graders enter ninth grade, the school will add space for grades 10-12. It also plans to build a gymnasium, and facilities needed to support other extracurricular activities, like cross country. The school hopes to benefit from the state's moral obligation program, which will allow the school to refinance its debt at a low rate, as well as borrow the funds needed for expansion. The school will also only have to pay off its outstanding debt, instead of buying the building at current cost, which will reflect increased real estate prices. The one catch is that Idaho policymakers need to keep expanding its popular and successful moral obligation program. As long as the moral obligation program has capacity, Idaho Novus Classical School will continue to benefit significantly from the state's policies to make facility financing more affordable, at no cost to the state.

> "We could not have sustained the school financially without the state's no-interest loan. Not only would we have hired fewer teachers, but we would also have had to pay them significantly lower salaries."
>
> *- Stephen Lambert, American Classical Schools of Idaho*

Chart 3 Idaho Novus Classical Academy

	With State Support	Without State Support
No-Interest State Loan	$2,500,000	$0
Matching Low-Interest Loans	$3,675,000	$0
Bank Loan	$5,420,000	$12,071,032
Total Cost	$11,595,000	$12,071,032
Annual Cost	$778,378	$1,756,792
Annual Savings	$978,414	
Teachers Saved	18	

CASE STUDY: Elevate Academy Caldwell

Affordable Long-Term Financing Enabled Critical Investment in Staffing and Equipment

Elevate Academy Caldwell serves about 500 at-risk students, with a wait list of almost 400 students. Even after buying land from the city and getting steel for construction donated, the school faced formidable financial obstacles building a facility that could equip these students for careers in culinary arts, construction, welding, manufacturing, medical arts, criminal justice, business, marketing and graphic design. These programs not only required special equipment but also top-notch faculty and lower class sizes.

Idaho had not yet enacted its no-interest revolving loan fund. However, the school was fortunate to receive a low-interest loan from philanthropic sources, along with some grants for pre-development costs. With these funds secured, a bank provided the remainder at a lower interest rate.

Elevate Academy Caldwell had to repay these loans within five years. The school had strong performance and financials, making it an excellent candidate for affordable long-term financing. However, the state's moral obligation, as then enacted, had requirements that schools serving at-risk students could not meet. Without this state support, private investors were charging unaffordable interest rates. Fortunately, a philanthropically backed lender, the Equitable Facilities Fund, offered financing at a lower interest rate.

"At the high interest rates private investors wanted, we could not have invested in the equipment, or the top-of-the-line faculty, needed for our programs to succeed," said Monica White, Co-Founder and Chief Visionary Officer of the Elevate Academy Network.

The school also used the savings to provide transportation for all students and to hire a career placement coordinator who works with students even after graduation to ensure that they are succeeding in jobs, college or military enlistment, according to Matt Strong, Co-Founder and Director of Growth and Development for the Elevate Academy Network.

The chart below compares the facility financing costs for Elevate Academy Caldwell, with support and without support. It first shows the benefit during the first five years of the low-cost loans. With support, the annual cost was $947,837. Without support, the school would have paid $1,213,089 for each of the first five years. Next, the chart shows how the school borrowed $12.0 million to pay off its debt and cover expansion costs. If it had to pay for the updated value of the building, it would have needed to finance $15.9 million. The school also paid a lower interest rate. As a result, the annual cost to the school is $841,597 in comparison to $1,375,924 without the program. Altogether the savings through 15 years are $534,327 per year. This is the equivalent of 10 teachers.

Idaho has improved its moral obligation program so that schools serving at-risk students are eligible. That is good news, because other schools like Elevate Academy Caldwell are not likely to find affordable alternative financing.

> "At the high interest rates private investors wanted, we could have not invested in the equipment, or the top-of-the-line faculty needed for our programs to succeed."
>
> *- Monica White, Elevate Academy Network*

Chart 4 — Elevate Academy, Caldwell

	With Support	Without Support
First Five Years		
No-Interest State Loan	$0	$0
Private Low-Interest Loans	$2,904,874	$0
Bank Loan	$9,378,345	$13,679,562
Total Cost	$12,283,219	$13,679,562
Annual Cost	$947,837	$1,213,089
After First Five Years		
Long-Term Bond Financing	$11,965,000	$15,913,450
Annual Cost	$784,266	$1,219,969
Through 15 Years		
Total Cost	$12,623,961	$20,638,865
Annual Cost	$841,597	$1,375,924
Annual Savings	$534,327	
Teachers Saved	10	

About Excel*in*Ed

Focused on educational quality, innovation and opportunity—both within and outside of the traditional system—Excel*in*Ed advances a broad range of student-centered policy solutions to:

- Increase student learning
- Eliminate inequities
- Ready graduates for college and career

About Bluum

Bluum is a nonprofit organization committed to ensuring Idaho's children reach their fullest potential by cultivating great leaders and innovative schools.

WE BELIEVE

A robust choice of learning opportunities helps children, families, and educators achieve more and do better.

WE ARE COMMITTED

To ensuring that Idaho's children reach their fullest potential by cultivating great leaders, replicating high-performing school models, and taking risks to develop new approaches so all Idaho students have access to a great education.

BLUUM STRIVES TO

- Empower and support educational leaders who take risks and put children first;
- Grow and replicate high-impact school models;
- Provide school support and management help;
- Develop and share effective practices; and
- Demonstrate measurable impact program-wide and across individual partner schools


EXIT 9