

Charter School Infrastructure and Investment in Tennessee and Other States

March 2025



Introduction

In November 2024, the Comptroller's Office of Research and Education Accountability (OREA) released a legislative brief entitled *An Overview of K-12 Capital Infrastructure and Investment in Tennessee and Other States*. The legislative brief was prepared in response to a legislative request. Following the release of the brief, OREA received a legislative request to provide additional information specific to charter schools. In particular, OREA was asked to review the condition and needs of Tennessee K-12 public charter school facilities, describe current funding of K-12 charter school facilities, and assess how other states provide capital funding to charter schools.

Current State of K-12 Public Charter School Facilities in Tennessee

OREA's review of the condition and needs of Tennessee's K-12 public school facilities relies on the 2024 Tennessee Advisory Commission on Intergovernmental Relations' (TACIR) annual inventory of public infrastructure needs entitled *Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs*.^A The inventory documents the condition of school facilities by county and school district as of 2022. The report also anticipates infrastructure needs for the next five years as reported by local district officials with titles including, but not limited to, deputy directors of planning, superintendents, chief operations officers, and construction managers.

OREA's review of the condition and needs of charter schools is limited to the information contained in TACIR's report. Public charter school buildings are only included in TACIR's report if they are owned by a public school district. Charter school buildings owned by a different entity, such as a charter management organization, are not included in the inventory. There is currently no centralized accounting of charter facility ownership arrangements in the state.^B

Additionally, the TACIR inventory does not contain school-level data, so information about the condition and needs of specific schools, including charter schools and traditional public schools, is unavailable through this source.

For context, charter schools in Tennessee are responsible for securing their own facilities. They can lease them from school districts (as traditional public school buildings are the property of the local board of education), lease them from private entities, or independently own them. In other cases, a charter management organization owns the building in which the charter school operates.

Capital Funding Structure

Tennessee provides some funding for charter school capital projects

As it does for traditional public schools, the state provides charter schools with some funding for capital projects. The funding the state provides does not typically cover all costs associated with the capital maintenance and construction needs of traditional public schools and charter schools, however.

^A Since the publication of OREA's legislative brief, TACIR has published an updated 2025 version of the infrastructure report.

^B Neither the Tennessee Department of Education nor the Tennessee Public Charter School Commission collect this information. However, individual charter agreements may contain these details.

TISA

The state provides funding through the Tennessee Investment in Student Achievement (TISA) funding formula. For FY 2024-25, the General Assembly appropriated \$22 million for charter schools through TISA's direct funding component. The state provides 100 percent of the funding for TISA's direct funding component; there is no state/local split for this component as there is for other TISA components.^c The \$22 million was divided evenly among all charter schools based on student enrollment, which equated to roughly \$500 per student.

Prior to TISA, the state provided capital funding for charter schools through the Charter School Facilities Fund, which was outside of the state's previous K-12 funding formula. While the Charter School Facilities Fund money was to be spent on facilities, the direct funding in TISA does not have restrictions on its use.

The General Assembly did, however, appropriate \$15 million in non-recurring funds in FY 2024-25 specifically for charter school facilities.

As detailed in OREA's 2024 legislative brief, the General Assembly appropriated grant funding in 2023 to improve school security. Charter schools were eligible for these grants and every school that applied received one, totaling 112 charter schools. The median disbursement was \$15,204. In total, the state disbursed over \$1.7 million in school security grants to charter schools.

School security needs such as inside locks on classroom doors, bullet- or entry-resistant film on glass panels of doors, camera systems, and security vestibules qualify as capital-related investments, and schools that received school security grants were required to spend them on security purposes.

Funding Mechanisms in Other States

States generally have three different ways to fund K-12 construction projects: appropriations, financing assistance, and dedicated revenues. These methods can be combined. For instance, a state may appropriate revenues for a charter school facility grant program as well as back charter school bonds so that charter schools can obtain lower interest rates when borrowing.

Appropriations

Through appropriations, states send aid to school districts to pay for up-front planning or construction costs or for payments on locally issued bonds. For charter schools specifically, Tennessee appropriates funds via direct charter funding and school security grants.

Financing assistance

Through financing assistance, states provide aid in the form of debt assistance or loans to districts. Debt assistance can be provided by a state or state entity by issuing bonds or by guaranteeing or offering credit enhancements to locally issued bonds. In these circumstances, the state requires full or partial repayment from districts.

Dedicated revenues

States may also dedicate certain revenues for K-12 capital-related projects. Examples include dedicating a portion of sales and use taxes, tax levies on the purchase of alcohol, nicotine products, and marijuana, as well as lottery proceeds and proceeds generated from state usage taxes on timber logging, oil and gas extraction, and public land sales. Tennessee does not dedicate state revenue sources specifically for school construction.

^c Charter schools do not otherwise receive direct funding allocations through TISA. Public funding is generated in the geographic local education agency (LEA) in which the charter school operates and funding is transferred from the LEA to the public charter school(s).

Funding mechanisms for charter school facilities used in other states

OREA reviewed charter school capital funding policies from several states and provides an overview of those policies below.

Alabama uses financing assistance, dedicated revenues, and appropriations for charter schools

Alabama uses a combination of financing assistance and dedicated revenues to support school construction. The state uses a portion of its sales and use tax revenues as pledged revenues for payments of bonds held by the Alabama Public School and College Authority. Charter schools are provided the same access to Public School and College Authority bonds as provided to traditional public schools.

Like traditional public schools, charter schools in Alabama are also eligible for state grants, which are funded through appropriations, for capital projects.

California uses appropriations and financing assistance for charter schools

California appropriates funding for its Charter School Facility Grant Program that provides annual grants to charter schools to offset facility costs.

California also has a Charter School Revolving Loan Fund that provides low-cost loans of up to \$250,000 that charter schools can use on capital expenditures.

The Charter School Facility Program (different from the Charter School Facility Grant Program mentioned above) funds half the cost of a charter school's facilities through a state-issued grant that is funded by voter-approved bonds.

Colorado uses appropriations and dedicated revenues for charter schools

Colorado dedicates a percentage of revenues from its marijuana excise tax and appropriates money from the State Education Fund to fund the Charter School Capital Construction Program. Dedicated revenues from state land proceeds and some lottery proceeds are also used to fund a portion of the program. Funds in the Charter School Capital Construction Program are used for construction, demolition, remodeling, maintaining, financing, purchasing or leasing of land, buildings, or facilities. Leftover funds can roll over to the next year.

The state also dedicates revenues from state land proceeds and some lottery proceeds for a broader Capital Construction Assistance Fund that funds a portion of the Charter School Capital Construction Program.

Charter schools in Colorado also have access to the Building Excellent Schools Today (BEST) grant program which is funded through appropriations. The grant program requires a local matching component.

Georgia uses appropriations for charter schools

Georgia appropriates funding through State Charter Supplemental Funding. The total supplement is composed of categorical grants for transportation, nutrition, nursing, etc.; a base supplement that serves as a proxy for local funding; and capital funding that ranges from \$1,447 to \$2,453 per pupil for Fiscal Year 2024.

Charter schools can qualify for Georgia's Charter School Facility Grant. The grant fund totaled \$9.2 million for FY 2024.

Idaho uses financing assistance and appropriations for charter schools

In 2023, the state of Idaho began backing charter school bonds so that charter schools could obtain lower interest rates when borrowing. The state also created a \$50 million revolving loan fund specifically for charter schools.

Idaho also appropriates state funding to assist charter schools with payments for real property. The state distributes \$400 per average daily attendant to charter schools for this purpose.

North Carolina uses financing assistance and local appropriations for charter schools

Charter schools in North Carolina have access to tax-exempt bond financing through the North Carolina Capital Facilities Finance Authority.

Additionally, counties in North Carolina have the authority to appropriate funding from property tax revenues and unrestricted general revenues specifically for charter school capital expenditures. By contrast, a portion of county sales and use taxes are dedicated to traditional public school capital outlay.

Texas uses financing assistance for charter schools

Charter schools in Texas have access to the state's Bond Guarantee Program, which guarantees bonds issued by a school district or charter school.

Utah uses financing assistance for charter schools

Utah established the Utah State Charter School Finance Authority in 2007. The Authority provides charter schools with access to municipal tax-exempt bonds to finance capital projects.