



BUILDING FOR SUCCESS IN OHIO

MEASURING HOW WELL OHIO IS MEETING CHARTER SCHOOL FACILITY NEEDS

EXECUTIVE SUMMARY

Ohio has significant room to improve when it comes to meeting the facility needs of the state's charter schools. Using ExcelinEd's [Charter School Facility Index](#) methodology to measure the actual impact of state policies, we have determined that Ohio is currently meeting 18.1 percent of the facility needs for the state's brick-and-mortar charter schools—and if policymakers don't make any changes, that number will drop to 14.7 percent in five years. Charter schools already receive less funding than their district counterparts, and this facility gap means charter schools must find other revenue to pay the remaining 81.9 percent cost of their facilities. This costs charter schools \$1,452 per student.¹ With this money, an average-sized charter school could, for example, pay for an additional seven teachers or give its current classroom teachers a 39 percent salary raise. The facility support gap also means that high-quality charter schools will have greater difficulty growing to provide opportunity to more students.

State policymakers have various options to better meet the facility needs of Ohio charter schools. Through a companion [Charter School Facility Index Tool](#), Ohio policymakers can determine the likely impacts of any proposed changes in state policies.² For example, by providing charter schools with access to local revenue raised for facilities, expanding access to under-utilized district facilities and enabling affordable facility financing, Ohio could meet a much higher percentage of the need. Meeting this need is critical so charter schools can use as much of their funding for instruction as possible to meet the growing demand from Ohio's families for quality public school choices.

INTRODUCTION

More than 83,000 students attend brick and mortar charter schools in Ohio. Over 8 in 10 of those students are economically disadvantaged, and 2 of 3 identify as students of color. Also, 94 percent of Ohio charter schools are in urban areas.³

Lack of access to affordable facilities is one of the most critical issues facing charter schools in Ohio and across the country. Traditional public schools can raise local funding specifically for facilities. Charter schools cannot. Instead, they must often rely on state funding meant to pay for classroom expenses to pay for facilities.

This brief uses a new methodology, called the Charter School Facility Index, to assess the extent to which Ohio is meeting the full facility needs of its charter schools.⁴ It examines not just how a policy reads on paper, but also what its impact is on the ground in meeting actual need. An Index of 100 percent means a state is meeting 100 percent of its charter school facility needs.

Ohio policymakers have embraced charter schools as a viable choice for parents and students. In keeping with its support of charter schools, Ohio has a strong interest in helping reduce the cost of facilities for all brick-and-mortar charter schools. States have a variety of policies they can use to achieve this. The National Alliance for Public Charter Schools (NAPCS) identifies 14 of them, in three major groupings.⁵

¹ For example, in the state's "Big Eight" districts, charter schools receive \$4,092 less per student than traditional districts. See Fordham Institute, [Shortchanging Ohio's Charter Students: An Analysis of Charter Funding in Fiscal Years 2015-17](#) (2019).

² The Charter School Facility Index Tool is available [here](#).

³ See Fordham Institute, [Ohio By The Numbers](#); Fordham Institute, [Has Ohio Public School Enrollment Declined Amid the Pandemic?](#) (2021).

⁴ For more details on the Charter School Facility Index and its benefits, see ExcelinEd, [Building for Success: How States Can Address Charter School Facility Needs](#) (2019).

⁵ See National Alliance for Public Charter Schools, [Equitable Access to Capital Funding and Facilities](#).



First, a state can provide money to help charter schools rent or lease facilities. Second, a state can require traditional districts to provide no- or low-cost access to existing, often under-utilized public buildings. Finally, a state can reduce the cost of borrowing so charter schools can own their buildings at a lower cost than renting. They can do so by guaranteeing the loans or bonds, formally or through a state's "moral obligation." The financing comes from private sources, but charter schools would pay significantly lower interest rates because of the state backing.⁶

It takes a combination of these policies to fully meet the facility needs of charter schools in a state. The key question is whether Ohio, through its various policies, is meeting the overall facility needs of its charter schools. This requires considering several factors. First, magnitude matters. For example, a large funding allowance for facilities helps more than a small one. Second, major investment in one policy may reduce the need for another. If many charter schools can access free facilities, fewer charter schools need funding for rent. Finally, it is important to consider the needs of new charter schools. Even a generous facility allotment may not meet the growing demand for more charter schools if the overall available funding is capped in a state budget.

The Charter School Facility Index can help Ohio assess whether it is meeting the full facility needs of its public charter schools.

ANALYSIS

Current Charter School Facility Index (FY 2021)

One way to calculate the overall charter school facility need is to consider how much it would cost Ohio if it paid for the full facility costs for every student in a brick-and-mortar charter school in the state. Ohio currently has 83,525 students in 307 brick-and-mortar charter schools.⁷ Based on an ExcelinEd analysis, facility-related costs for charter schools in Ohio are \$1,772 per student, or 15.7 percent of overall expenditures.⁸ This means that the overall facility need for all brick-and-mortar charter school students is \$148 million statewide, i.e., \$1,772 per student times 83,525 students. As explained above, Ohio can meet this overall need through a combination of direct funding, access to district facilities and affordable financing.

Direct Funding

For students in brick-and-mortar charter schools, Ohio currently provides \$250 per student for facilities.⁹ Overall, this program provides about \$20 million each year for charter school facilities statewide.¹⁰ Ohio has also provided charter schools with \$21 million in one-time grants to pay for facility purchase, construction or major renovation; otherwise, charter schools would have had to pay an additional \$2.7 million in rent each year.¹¹ However, charter schools are not

⁶ Under moral obligation, a state must request in its budget to pay for loan defaults, but there is no requirement that the approved budget include it. For more on how states can use bond guarantees and moral obligation to reduce the cost of charter school facility financing, see ExcelinEd, [Addressing Charter School Facility Needs](#) (2019).

⁷ See Fordham Institute, [Has Ohio Public School Enrollment Declined Amid the Pandemic?](#) (2021). There are additional students in virtual charter schools, who are not included because they do not have traditional facility needs.

⁸ These figures come from the [five-year](#) financial reports for a random sample of charter schools and confirmed through interviews. They include rent, mortgage and interest, utilities, maintenance and other facility-related costs. They are adjusted for inflation to determine facility-related costs in FY 2021. In a companion [tool](#), users can adjust facility-related costs if they feel they are too high or too low. By way of comparison, traditional districts are spending \$2,576 per student on facility-related costs. See [Digest of Education Statistics Table 236.75](#) (2019); this amount is adjusted for inflation for FY 2021. For another comparison, facility-related costs for charter schools in Indiana are 15 percent. See ExcelinEd, [Building for Success in Indiana](#) (2020).

⁹ See Legislative Budget Office, [Greenbook: LBO Analysis of Enacted Budget, Ohio Department of Education](#) (2019).

¹⁰ This deducts a small amount of funding provided to virtual charter schools.

¹¹ The rental savings are the proportion that the \$21 million in grants is of the total cost of purchasing facilities for all charter schools. Overall, the state made \$25 million available in Community School Classroom Facilities Grants; however, charter schools have used \$21 million. See Ohio Facilities Construction Commission, [Annual Report FY 2019](#).



eligible for \$300 million in state facility construction funds available each year to traditional public schools.¹² Charter schools in Ohio also do not have access to any of the \$1.5 billion in local revenues raised for school facility needs each year; only traditional districts currently receive these funds.¹³ This means that, altogether **through direct funding, Ohio is providing the equivalent of \$22.7 million each year and thereby meeting 15.4 percent of the facility needs of its charter schools.**

Access to Facilities

Ohio law requires districts to lease or sell unused buildings to charter schools located in the same district at a price not higher than the appraised market value, with preference given to high-performing schools and newly established schools from operators with a track record of high performance.¹⁴

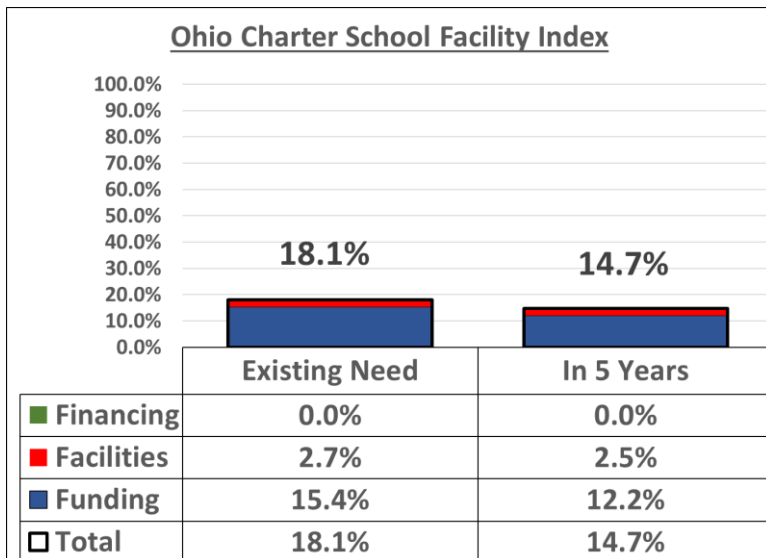
This provision does not require districts to provide under-utilized buildings at no or low cost, as is the case in other states. However, about 10 percent of charter schools have purchased district facilities.¹⁵ Even paying market rates, there are significant savings in owning rather than renting in Ohio.¹⁶ Overall savings from access to district buildings are \$4 million per year. Thus, **through surplus district facilities, the state is meeting 2.7 percent of overall charter school facility needs.**

Affordable Financing

Ohio currently does not provide bond guarantees or use its moral obligation to lower the financing cost for charter schools seeking to purchase their own facilities. Thus, **financing support in Ohio is meeting none of the overall charter school facility needs.**

Summary of Current Needs Met

The current Charter School Facility Index for Ohio is 18.1 percent, as shown in the chart above. Direct funding provides 15.4 percent, district facilities are 2.7 percent, and affordable financing is 0.0 percent. The facility gap is \$121.2 million overall, or \$1,452 per student. In other words, charter schools are having to use other revenue to pay facility expenses that amount to \$1,452 per student. To be more concrete, if Ohio fully met charter school facility needs, an average-sized charter school could hire an additional seven teachers or give its current classroom teachers a 39 percent



¹² Interview with Barbara Mattei-Smith, Ohio Facilities Construction Commission (Feb. 23, 2021); this figure is consistent with state's recent capital budgets.

¹³ See Ohio Legislative Service Commission, [Fiscal Note on HB 102 of the 132nd General Assembly](#) (2017). These figures are adjusted for inflation. In Cleveland there is some sharing of funds raised for operating expenses.

¹⁴ See [Ohio Revised Code 3313.411](#).

¹⁵ This reflects determining whether the current location of charter schools was previously indicated as a public school.

¹⁶ From the analysis of facility-related costs, charter schools in Ohio that own save about \$490 per student. Among the reasons for these savings are an expensive rental market, federal tax credits (e.g., New Market Tax Credit) and private fundraising.



salary raise.¹⁷ This facility gap exacerbates the substantial funding disparity between traditional public schools and charter schools in Ohio.¹⁸

Charter School Facility Index in Five Years (FY 2026)

The overall charter school facility needs in Ohio will likely grow over the next five years as charter school enrollment and the number of charter schools increase. Charter school enrollment in Ohio is expected to grow by at least 2 percent per year.¹⁹ However, if the state meets charter school facility needs more fully, enrollment will likely increase at least 25 percent faster.²⁰ At an annual growth rate of 2.5 percent, 94,501 students will be in brick-and-mortar charter schools in five years. The number of charter schools will likely grow by at least 1 percent each year. In five years, this means that there will be 327 charter schools.²¹ Facility-related costs, e.g., rent and utilities, are expected to increase about 4 percent annually, rising to \$2,147 per student in five years.²² Thus, the total facility need for charter schools will be \$202.9 million in FY 2026, i.e., \$2,147 per student times 94,501 students.

If Ohio fully met current charter school facility needs, an average-sized charter school could hire an additional seven teachers or give a 39 percent salary increase to current classroom teachers.

Direct Funding

It is anticipated that the \$250 per-student facility allotment will be funded by the state to include the increasing number of charter school students, paying for \$22 million in facility needs in five years.²³ However, there is no expectation that the state will add more funding to the existing charter school facility grants program, provide charter schools with access to other state facility grants or let charter schools receive facility-related local revenues. As a result, direct funding will meet 12.2 percent of total need in FY 2026.

Access to Facilities

It is expected that about the same percentage of charter schools will have purchased district facilities at market cost.²⁴ However, unless state policies change, charter schools will still not receive under-utilized buildings at no or low cost. This means that approximately 31 charter schools will be in surplus district facilities in FY 2026. Total savings will be \$5.1 million, meeting 2.5 percent of total need.

Affordable Financing

It is not anticipated that the state will start providing bond guarantees or use its moral obligation to help charter schools access affordable financing costs.

¹⁷ Uses average teacher salary in Ohio of \$57,493. See Salary.com, [Public School Teacher Salary in Ohio](#). The average size for a charter school in Ohio is 272 students. There are 5,415 classroom teachers in brick-and-mortar charter schools. See Ohio Department of Education, [Building Teacher Information 2019-20](#); cross-referenced with the charter school [directory](#).

¹⁸ For example, in the state's "Big Eight" districts, charter schools receive \$4,092 less per student than traditional districts. See Fordham Institute, [Shortchanging Ohio's Charter Students: An Analysis of Charter Funding in Fiscal Years 2015-17](#) (2019).

¹⁹ This is a conservative estimate, reflecting growth in a random sample of five-year projections and confirmed in interviews. Interview with Jason Wall, Ohio Council of Community Schools (Mar. 1, 2021); Interview with Chad Aldis and Aaron Churchill, Fordham Institute (Mar. 5, 2021).

²⁰ Interview with Sam Duell, Charter School Policy Director, ExcelinEd (Feb. 6, 2020).

²¹ Considers growth if not suppressed by facility barriers, as explained above for student enrollment.

²² Overall expenditures for public schools have increased by 3.3 percent over the past 5 years, and facility-related costs are expected to increase at a higher rate given the state's real estate market; Interview with Doug Mangen, Mangen & Associates (Feb. 26, 2021); Interview with Stephanie Klupinski and Steve Moore, Buckeye Community Hope Foundation (Feb. 25, 2021); Interview with Jason Wall, Ohio Council of Community Schools (Mar. 1, 2021).

²³ Interview with Chad Aldis, Fordham Institute (Feb. 16, 2021).

²⁴ Interview with Doug Mangen, Mangen & Associates (Feb. 26, 2021). Based on interviews, most charter schools in district facilities have room to grow or will rent an additional facility if needed, rather than leave the district building.



Summary of Future Needs Met

Ohio's Charter School Facility Index in five years will be 14.7 percent, as shown in the chart above, down from 18.1 percent of current need. Direct funding will provide 12.2 percent; district facilities will meet 2.5 percent; and affordable financing will cover 0.0 percent. The facility gap will grow to \$173 million, or \$1,831 per student. For context, consider that the funds an average-sized charter school will have to use to fill this facility gap could otherwise be used to hire an additional 9 teachers or give classroom teachers a 49-percent salary increase.

In five years, the total facility gap in Ohio will grow to \$173 million, or \$1,831 per student.

NEXT STEPS

The Charter School Facility Index equips Ohio policymakers to understand how well current policies are meeting charter school facility needs and, further, how future need will be met if policies remain the same. In addition, **through the [Charter School Facility Index Tool](#) that is available as a companion to this brief, policymakers can examine the potential impact of new or revised policies and explore how they can use the full array of available policies to meet the overall need.**²⁵

Below are some examples:

- **Increase the per-student facility allotment:** The current \$250 allotment covers only a fraction of the need. If the state increases it to \$1,000 per student, it will meet an additional 33.5 percent of the need.
- **Add to the state's existing charter school facility grant program:** If the state provides \$100 million more for charter school facility purchase, construction and major renovation, it will meet an additional 6.3 percent of the need. The state can also make the program more easily accessible to additional charter schools so that the available funding is fully utilized.²⁶
- **Make charter schools eligible for other state facility grants:** If the state lets charter schools tap into the other \$300 million in state facilities grants each year proportional to their public school enrollment, it will meet an additional 11.2 percent of need.²⁷
- **Provide charter schools with access to facility-related local revenue:** States like Colorado are requiring districts to share local funds raised for facilities. If charter school students in Ohio receive this funding in proportion to their share of public school enrollment, it will meet an additional 67.1 percent of the total need. There is no cost to the state for this policy change.²⁸
- **Provide access to under-utilized district facilities at no or low cost:** There are significant numbers of under-utilized district buildings in Ohio.²⁹ It is easier and cheaper for charter schools to use facilities already built for

The Charter School Facility Index Tool equips Ohio policymakers to examine the potential impact of new or revised policies and explore how they can use the full array of available policies to meet the overall need.

²⁵ The Charter School Facility Index Tool is available [here](#). Policymakers can also change certain assumptions, like how much charter school enrollment will grow if facility needs are more fully met.

²⁶ Only certain charter schools are currently eligible, and they must provide substantial funding matches. Interview with Stephanie Klupinski and Steve Moore, Buckeye Community Hope Foundation (Feb. 25, 2021); Interview with Andy Boy, United Schools Network (Mar. 1, 2021).

²⁷ These state facility grants are available each year, and charter schools can use them to finance building or purchasing facilities at a regular interest rate and thereby eliminate rent costs. However, the schools still will have other facility-related costs.

²⁸ This would not apply retroactively to local revenue for previously issued bonds. It is calculated on statewide basis; however, charter schools would only get facility-related revenue in the districts where they reside. This local facility revenue is available each year, and charter schools would be able to use it to finance building or purchasing facilities at a regular interest rate and thereby eliminate rent costs. However, the schools still will have other facility-related costs.

²⁹ Interview with Doug Mangan, Mangan & Associates (Feb. 26, 2021); Interview with Andy Boy, United Schools Network (Mar. 1, 2021).



instruction, even if significant repair and renovation is needed. Ohio taxpayers already paid for district buildings, so the state can require districts to provide under-utilized buildings to charter schools at no or low cost, as is the case in other states. If 20 percent of charter schools receive these buildings, it will meet an additional 13.7 percent of total need.³⁰

- **Enable more charter schools to purchase surplus district buildings:** Even if charter schools in Ohio have to continue to pay market cost for under-utilized district buildings, the state can make sure that more of the buildings become available.³¹ Some states have more stringent requirements for listing surplus facilities.³² As a result, a higher percentage of charter schools are in district facilities, e.g., 26 percent in Colorado and 44 percent in California.³³ Ohio could similarly strengthen its requirements. If triple the number of charter schools can purchase surplus district facilities in Ohio at market cost, the state will meet an additional 3.4 percent of need. This will not impose any cost on the state.
- **Enable affordable financing:** It is very difficult for charter schools in Ohio to secure affordable financing to purchase or build facilities.³⁴ States like Colorado, Utah, Texas and Arizona are enabling many charter schools to access affordable financing by providing a formal backing or using their moral obligation. The savings to charter schools are substantial. If Ohio provides \$450 million in bond guarantees or moral obligation, it will meet an additional 10.6 percent of the need. The risk to the state is minimal, as the state has to pay for the rare defaults that occur. The estimated additional cost to the state is \$300,000 per year.³⁵

The tool shows how policymakers in Ohio can mix and match the various policies, improving those that already exist in the state and adding some that other states are using, with the goal of meeting 100 percent of need. Meeting this need is critical so that charter schools can use as much of their funding for instruction as possible and meet the increasing demand from Ohio's families for quality public school choices.

³⁰ Charter schools still have to pay for maintenance and other facility-related costs.

³¹ Districts are not making many under-utilized buildings available to charter schools. Interview with Stephanie Klupinski and Steve Moore, Buckeye Community Hope Foundation (Feb. 25, 2021); Interview with Jason Wall, Ohio Council of Community Schools (Mar. 1, 2021); Interview with Brian Neal and Deborah Howard, Accelerate Great Schools (Mar. 5, 2021).

³² The [model legislation](#) from the National Alliance for Public Charter Schools (NAPCS) provides the best-practice language on access to district-provided facilities.

³³ See Charter School Facilities Initiative, [An Analysis of the Charter School Facility Landscape in Colorado](#) (2018); Charter School Facilities Initiative, [An Analysis of the Charter School Facility Landscape in California](#) (2015). In California, districts must make "reasonably equivalent" educational facilities available to charter schools upon request.

³⁴ Interview with Doug Mangen, Mangen & Associates (Feb. 26, 2021); Interview with Stephanie Klupinski and Steve Moore, Buckeye Community Hope Foundation (Feb. 25, 2021); Interview with Jason Wall, Ohio Council of Community Schools (Mar. 1, 2021).

³⁵ With appropriate selection criteria, the state can keep defaults at below 2 percent. See ExcelinEd, [Addressing Charter School Facility Needs](#) (2019). The state will cover the cost of defaults over a 30-year period.