



Making the Market

CDFIs and Charter Schools

Annie Donovan, NCB Capital Impact



What's the Problem?

→ *No provision for facilities*

→ *78% funding*

→ *No taxing authority*

Consequences

- *Facilities issues are a distraction*
- *Facilities costs are a drain*
- *Demand for seats unfulfilled*



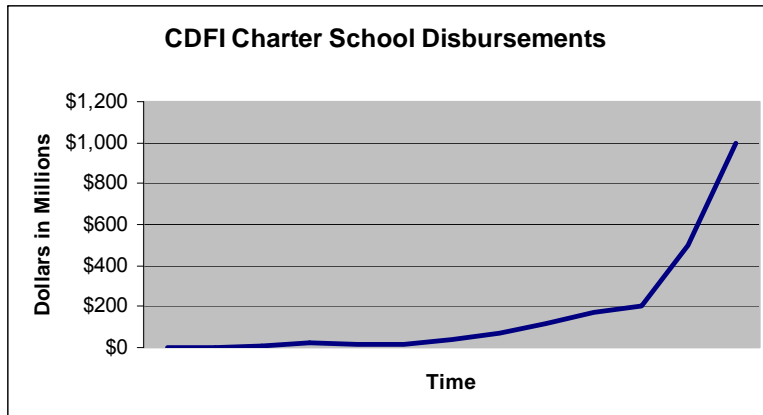
Why Charters?



Are Charters Successful?



Making the Market



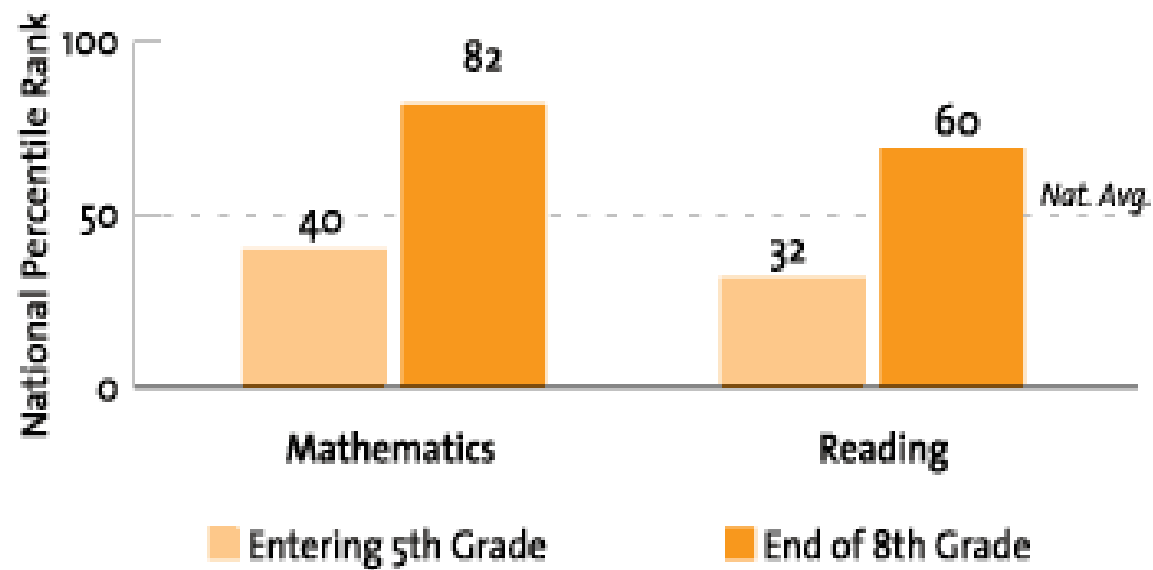
Growing the Market

Do Charters Work?



- Research findings are mixed
- Progress closing the achievement gap
- Some really bright spots

Average Test Score Growth Over Four Years in KIPP Schools*



*As measured by nationally norm-referenced tests.

Thurgood Marshall Academy

- 96% of our students come from Wards 7 & 8;
- 100% minority
- Over 75% FRPL
- 100% of our seniors have been accepted to college.

- Agnes Scott College
- American University
- Art Institute of Philadelphia
- Art Institute of Pittsburgh
- Bates College
- Benedict College
- Bennett College
- Bethune-Cookman University
- Boston University
- Bowie State University
- Carnegie Mellon University
- Catawba College
- Cedar Crest University
- Central Pennsylvania College
- Central State University
- Cheyney University
- Clarion University
- Clark Atlanta University
- Clark University
- Clayton State University
- Cleveland State University
- College of the Holy Cross
- Columbia College—Chicago
- Converse College
- Coppin State University
- Cornell University
- Davidson College
- Delaware State University
- DePaul University
- Drexel University
- Elizabeth City State University
- Emerson College
- Florida A&M University



Thurgood Marshall Academy

- Florida A&M University
- Fort Valley State University
- Gannon University
- George Mason University
- Hampton University
- Immaculata University
- Johnson & Wales University
- Lafayette College
- Lincoln University
- Long Island University
- Louisburg College
- Marymount University
- McDaniel College
- Mercyhurst College
- Miami University
- Montgomery College
- Morehouse College
- Morgan State University
- Norfolk State University
- North Carolina A&T University
- North Carolina Central University
- Northern Virginia Community College
- Ohio University
- Ohio Wesleyan University
- Pennsylvania College of Technology
- Pennsylvania State University
- Pierpont Community College–Fairmont State
- Prince George's Community College
- Radford College
- Slippery Rock University
- Spelman College
- South Carolina State University
- St. Augustine's College
- St. Paul College
- St. Rose College
- Swarthmore College
- Tennessee State University
- TESTT College of Technology
- Trinity University
- Tuskegee University
- University of Arizona
- University of Maryland–Baltimore County
- University of Maryland–College Park
- University of Maryland–Eastern Shore
- University of North Carolina–Chapel Hill
- University of North Carolina–Greensboro
- University of Oregon
- University of Pittsburgh
- University of Rochester
- University of Texas–El Paso
- University of the District of Columbia
- University of Vermont
- University of West Georgia
- University Technical Institute
- Villa Julie College
- Virginia State University
- Virginia Union University
- Wesley College
- Westminster College
- West Virginia Wesleyan College
- Xavier University
- York College



MATCH School

- 93% minority
- 73% Qualify for Free or Reduced-Price Lunch
- Enter ninth grade far behind grade level in math and reading
- 99% college acceptance

Benjamin Franklin Institute of Technology
Boston College
Brown University
Centre College
Dartmouth College
Denison University
Duke University
Eastern Nazarene College
Fisher College
Framingham State College
Georgetown University
Hofstra University
Howard University
Jacksonville University
Johnson and Wales University
LIM College for the Business of Fashion
Mount Ida College
Newbury College
Northeastern University
Pace University
Pine Manor College
Quincy College
Regis College
Salem State College
Smith College
Spelman College
Trinity College
Union College
University of Massachusetts-Amherst
University of Massachusetts-Boston
University of Massachusetts-Dartmouth
University of Notre Dame
University of Tampa
Virginia State University
Wheelock College



Charter Schools as Community Development



*Thurgood Marshall Academy
SE Washington, DC*

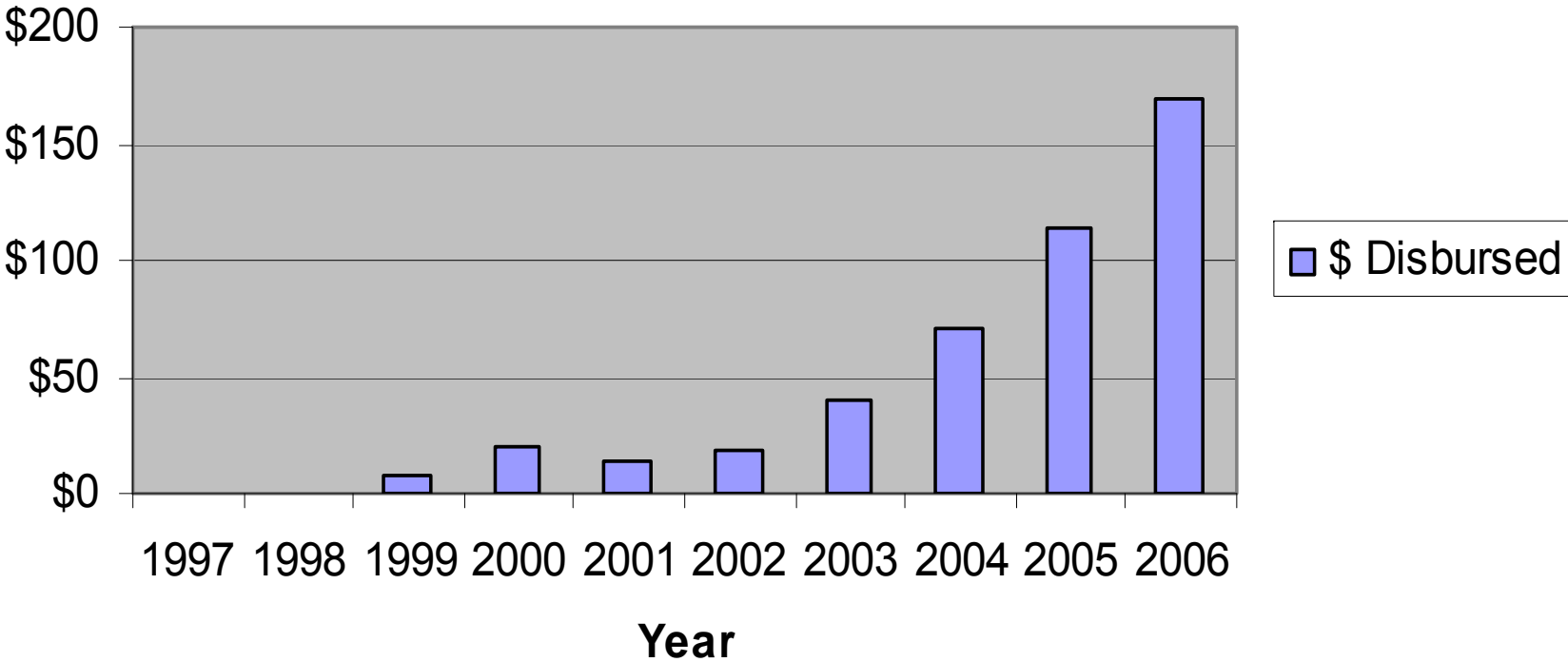
- Education is key to economic mobility
- Vacant buildings redeveloped
- Commercial activity spawned
- Higher levels of parental engagement

CDFIs Make the Market

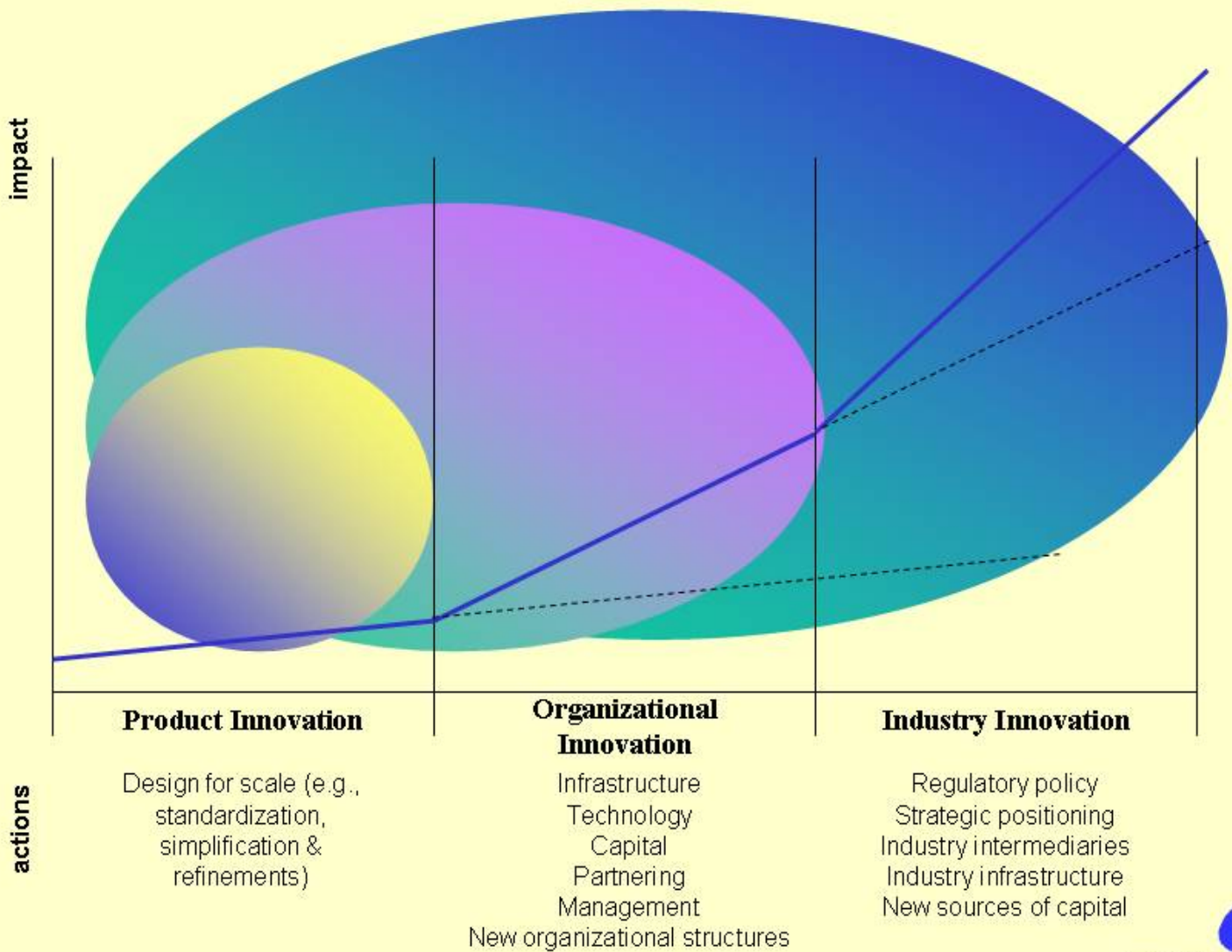


- First responders in inefficient markets that deliver a social imperative
- Establish credit worthiness
- Build bridges to the capital markets
- Partner with the public sector

Charter School Loans In Millions

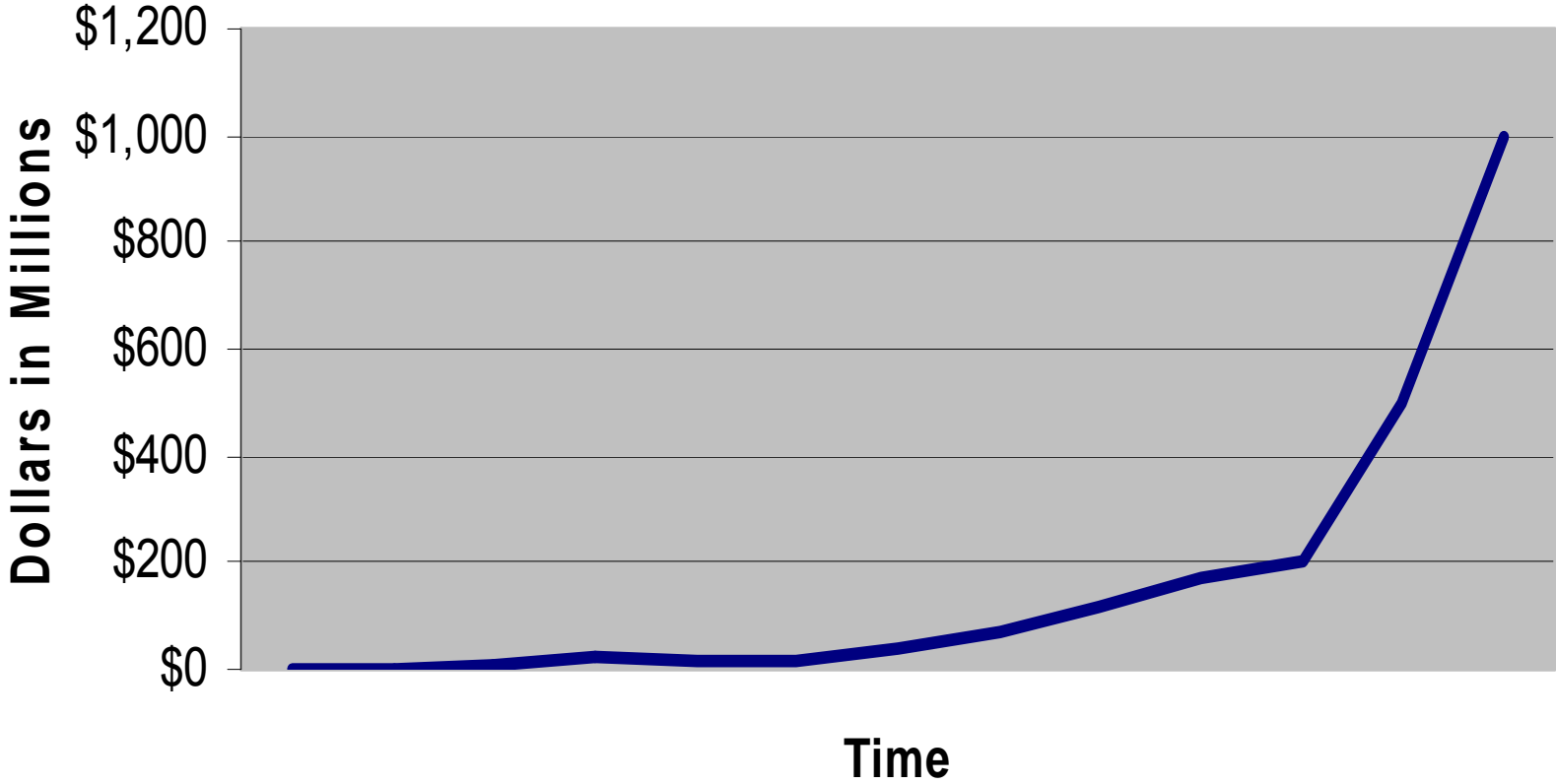


New Pathways to Scale for Community Development Finance



Graphic Representation Courtesy of Langdon Morris, InnovationLabs, April 2004

CDFI Charter School Disbursements



Demand for Financing

- Total market value of charter facilities
 - \$13 - \$26 billion range
- @ 10% - \$1.3 – 2.6 billion per year
- @ 20% - \$2.6 – 5.2 billion per year

Growing the Market

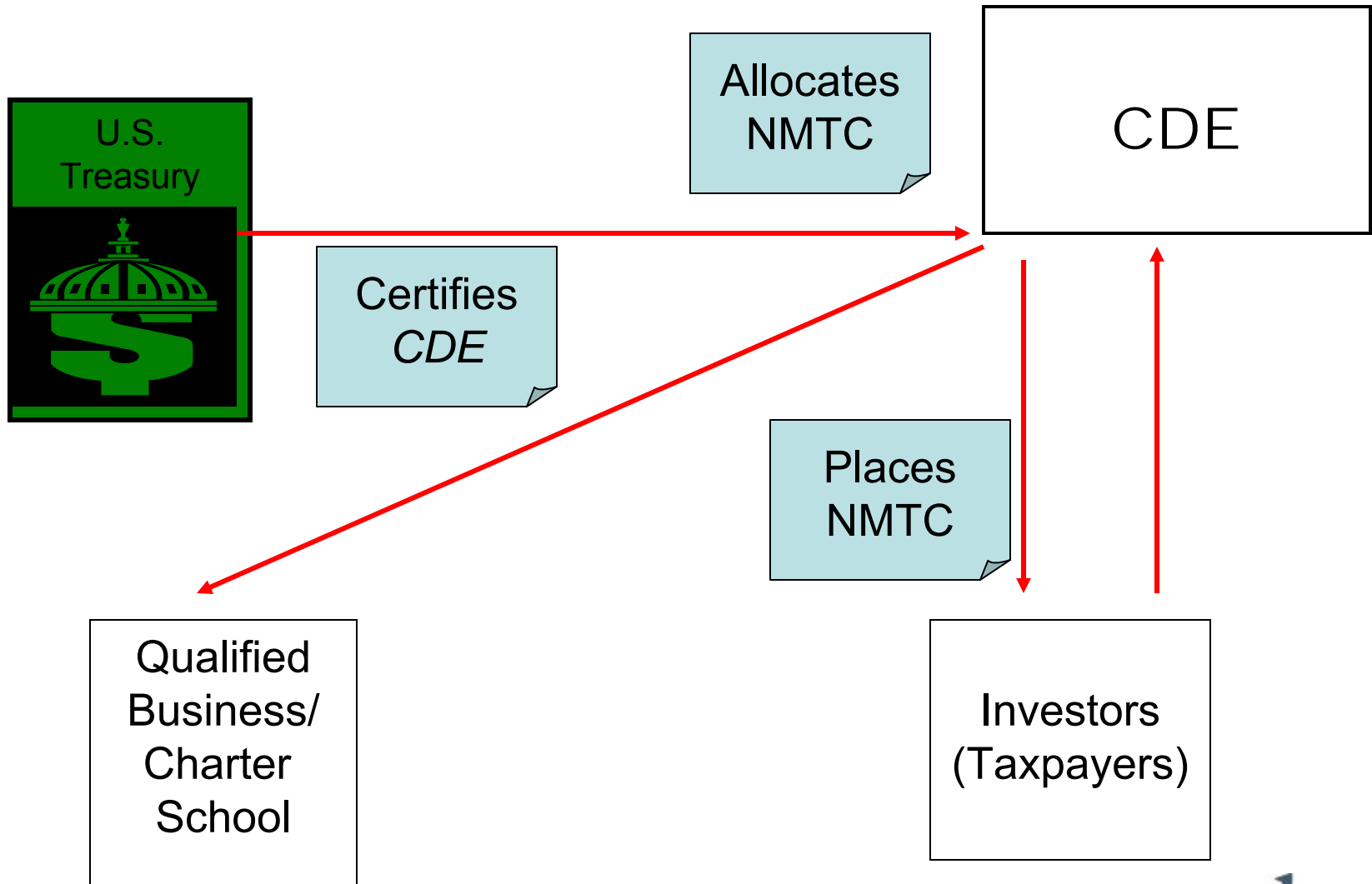
- CDFIs don't have capacity to meet demand
- Market acting alone is not going deep enough
- Commercial banks don't have the right product
- CECSF program is helpful, but not large enough to build the scale we need
- bond market is cheaper, long-term

Funding Parity

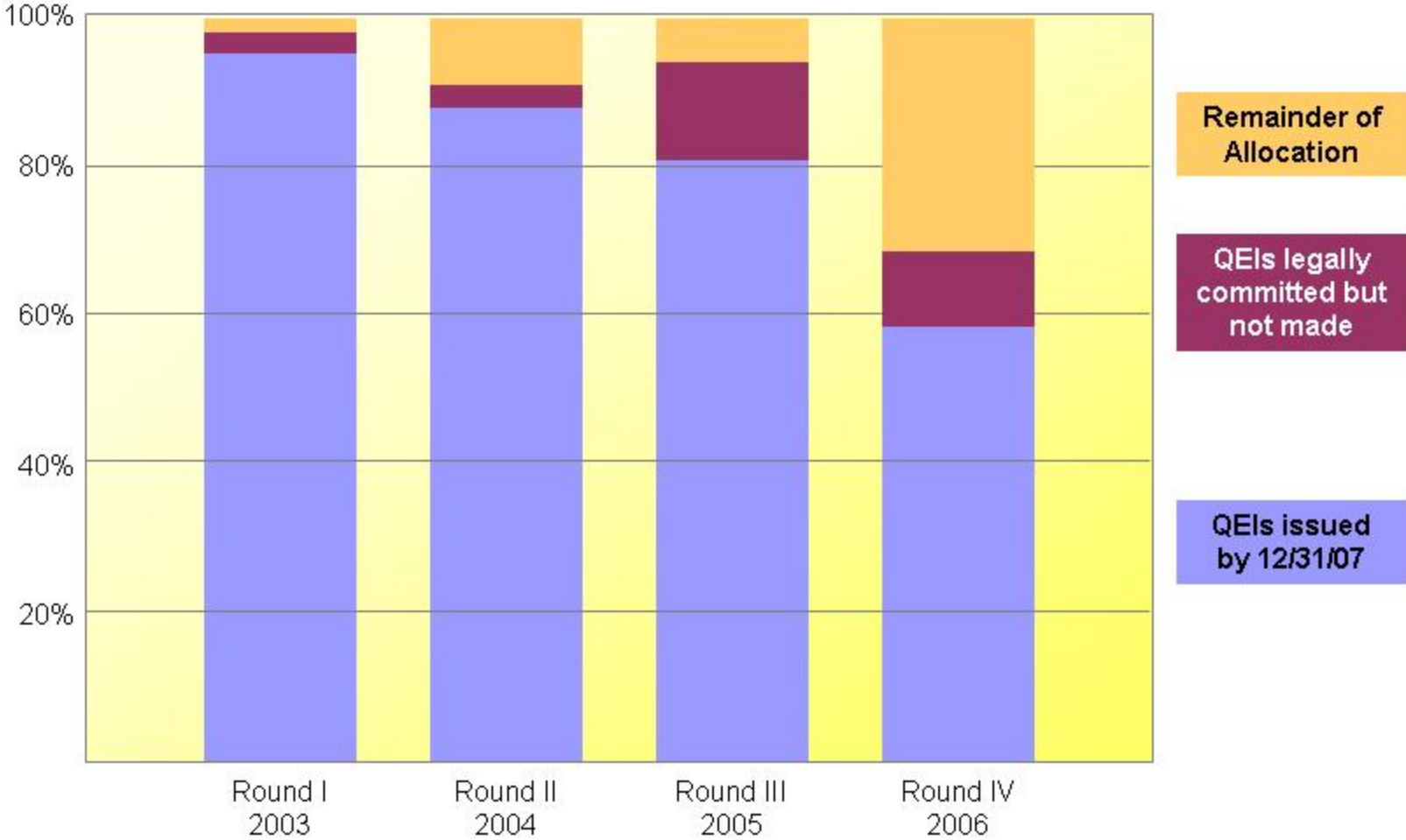
- GO bonds
- Moral obligations

Charter Academy Bonds

- Subsidy structure is comparable to Qualified Zone Academy Bond (QZAB)
- Tax credit given in lieu of interest expense
- Distribution mechanism would mirror New Markets Tax Credit Program
- Deeper subsidy for low-income schools that don't clear the market



Percent of QEIs Issued & Committed



Charter Academy Bonds

