

Charter Schools, from start-ups to stabilized operators, are able to issue tax-exempt bonds with no up front, out of pocket costs. These proceeds can finance their facility needs including:



Building acquisition or refinancing



Construction or renovation



Land acquisition



Furniture, fixtures and equipment



Athletic facilities

What are tax-exempt bonds?

Tax-exempt bonds are governmental purpose bonds and **qualified private activity bonds**. They are designed to allow certain entities to raise capital (long-term debt) at attractive interest rates.

Are tax-exempt bonds a new financing option?

Public bodies have been issuing bonds for over 100 years. Additionally, Private sector, non-profit entities have been using tax-exempt financing for decades. The non-profit must be a **501(c)(3) organization**.

Characteristics of a typical charter school bond financing:

- **100% financing**
- Both construction & permanent financing
- Uses: acquisition, renovation, construction, refinancing, fixtures
- Up to 40-year fixed rate maturities
- Debt Service Reserve Fund – equal to annual debt service

How much can a charter school afford?

An architect's dream vs. a charter school's reality

- Debt per student/lease aid per student
- Percent of revenues/expenditures
- Debt service coverage
- Factor in growth
- What do you need?

Contact the Piper Sandler Charter School Finance Team with questions.

About Piper Sandler & Co.

Piper Sandler is a leading full-service investment banking firm serving clients throughout the U.S. Our proven banking teams combine deep product and sector expertise with ready access to capital to fuel their growth. Founded in 1895, the firm is headquartered in Minneapolis and has offices across the United States. We offer a full suite of products to serve our clients' business lifecycle needs, offering deep expertise in our core sectors.

What do we consider?

- History & founding
- Historic enrollment
- Waitlist
- Educational program/academic performance
- Financial performance - liquidity, operating margin & debt service coverage
- Governance
- Administration
- Charter Contract
- Retention – students & teachers
- Student demographics (including free & reduced lunch)
- The Project
- Competition

Common challenges:

- Charter renewal/revocation risk
- Limited operating history compared to other sectors
- Slim margins/limited liquidity
- High debt burden
- Construction risk
- Significant increase in facility size
- Demonstrating demand