

THE BOND BUYER

Nevada offers charter schools low interest loans through fund

By

[Keeley Webster](#)

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Opportunity 180, a Nevada nonprofit, and Equitable Facilities Fund, a philanthropy-backed impact fund, are joining with the state of Nevada in what the firms called a "first of its kind public-private partnership" to provide a dedicated facility funding resource for public charter schools looking to open or expand in Nevada.

The partnership, two years in the making, culminated in the creation of a \$100 million revolving loan fund that charter school owners can tap to pay for school building and maintenance.

As an impact fund with a social mission, EFF aims to provide low-cost financing for charter schools that operate in low-income areas with a diverse population, Michael McGregor, EFF's chief operating officer.

"EFF is proud to partner with O-180 and the State Infrastructure Bank to deliver a public school facilities solution that Nevada families deserve," McGregor said.

"Together, we are combining local expertise, a proven national model, and state, federal and philanthropic funding to catalyze something that will make a difference for children for years to come."



"The broad concept of the infrastructure bank was to create a scenario and vehicle to allow the state to go after and take advantage of outside capital," said Nevada Treasurer Zach Conine. **Nevada Treasurer's Office**

Charter school owners will be able to tap the fund to pay to maintain existing schools and build new and to refinance high-interest debt that was used to purchase school buildings or renovate them.

All of Nevada's 91 charter schools are public and they had 62,000 students enrolled as of 2021, McGregor said. Nevada had [484,000 students enrolled](#) in 773 schools in 2022, according to the Nevada Department of Education.

In April 2022, the state sold \$75 million in two tranches including \$40 million in taxable general obligation bonds and \$35 million in social GOs to fund the infrastructure bank. Proceeds from the \$35 million in social bonds are for educational purposes and affordable housing, said Nevada State Treasurer Zach Conine.

The treasurer said his goal is to use funding from the State Infrastructure Bank as seed money to attract private investment and for matching funds to tap infrastructure bill funding.

Nevada's infrastructure bank was [created in 2017](#), but was never funded. Lawmakers approved Senate Bill 430 during the 2021 session that allocated \$75 million to the bank to enable it to provide loans and funding for state projects.

The definition of infrastructure was also expanded to include social infrastructure so projects that address affordable housing and homelessness, food insecurity, public education, health care and broadband are eligible.

"The broad concept of the infrastructure bank was to create a scenario and vehicle to allow the state to go after and take advantage of outside capital," Conine said. "We are looking at partnerships including the AFO-CIO Affordable Housing Trust and we are looking at ways we can leverage state dollars against federal money."

Through the state's unique biennium, a budget approved every two years and then refined through a supplemental budget on the odd year. It means "sometimes things come up between budgeting cycles that we would like to take advantage of, and we can't. The infrastructure bank closes this structural inefficiency," Conine said.

"We are just really excited," Conine said. The O-180 and EFF agreement "will be the first deal that the infrastructure bank gets across the finish line."

The state first approached O-180, because the organization is heavily involved in the charter space, Conine said.

O-180 told state officials "they would love to apply to run the fund, and we might be able to bring in extra capital through a relationship they had with EFF," he said.

The treasurer told The Bond Buyer last year at the launch of the state's infrastructure bank he anticipated a 10-1 private capital match for every state dollar. And in this deal it's coming close to that.

The fund infuses \$100 million of new investment in the Silver State, including \$80 million from the Equitable Facilities Fund's donors and investors, \$15 million from the State Infrastructure Bank, and \$5 million in privately raised philanthropy. The fund also benefits from a \$12 million credit enhancement grant awarded to O-180 by the U.S. Department of Education.

These combined investments fuel a revolving loan fund that will recycle loan repayments to support Nevada charter schools in perpetuity.

The model builds on EFF's national loan fund, which has deployed over \$1 billion in low-cost capital to high-quality public charter schools since 2018, according to EFF's press release.

Typical school borrowers will save an average of over \$150,000 annually. In aggregate, the fund will support \$25 million in savings and additional flexibility

within school budgets that will flow directly to students and classrooms, according to EFF.

The Nevada Facilities Fund "aims to support 7,500 high-quality public charter school seats for kids statewide who have historically been the furthest from educational opportunity," O-180 CEO Jana Wilcox Lavin said in a prepared statement. "We look forward to seeing its impact on students, families and communities."

To participate in the fund, charter school operators will undergo a formal application process. Opportunity 180 and EFF will vet the applicants and lend to charter schools that meet a specific set of criteria. This includes serving historically underrepresented populations and expanding access to a high-quality education that prepares students for college and career success.

Although the infrastructure plan and the plan to provide low-interest loans for charter schools originated from a budget deal struck during Democrat Joe Sisolak's tenure, Conine said Republican Gov. Joe Lombardo has been supportive.

"It was an easy sell," Conine said of the concept of making it easier for high-quality charter schools to attain low interest loans to construct buildings or refinance existing debt at lower interest rates to free up more money for operations.

"We think there are going to be a combination of projects," Conine said. "Some will be refinancing to take a debt service burden that isn't functional for the school and effectively buy that down. Or we are lending them money so they can buy into a space, so they don't have occupancy costs or a rent issue."

Some charter school operators were borrowing money three years ago, at rates above 9%, which is really, really hard to carry in today's environment, Conine said.

He anticipates the current fund value will cover the costs for 10 or so different school projects, depending on the size.

The state set up a rigorous set of tests that the applicants have to meet including that the majority are Title 1 school districts where apprenticeships and prevailing wage laws are abided by, Conine said. Within that framework, he said, EFF and O-180 will vet applicants to determine where the money will be the most impactful.

"EFF has committed \$1 billion in affordable financing for charter schools in 20 different states," McGregor said. "While charter schools receive public funding per student, they must spend a significant amount of those limited per-pupil dollars on their facilities and thus face a major barrier to opening and operating high-quality schools."

"The financial model is to raise money through philanthropy and leverage it using our triple-A rating to issue debt," McGregor said. "What we are able to deliver for charter schools is the most affordable loan option."

The millions saved by financing buildings at low cost can be used to improve their educational offerings, he said.

EFF has issued debt five times and plans a sixth bond pricing the first week of December to back its efforts, he said. The proceeds of the debt will be used to fund all of its efforts nationally, not just for the Nevada fund, he said, adding that there will be more details available about the finance team and the amount of the deal as it draws nearer.

"All of the work we do is done with an eye toward its social impact," McGregor said.

EFF plans to issue \$3 billion in loans over the next decade taking a localized approach.

"In Texas, we raised \$25 million from philanthropy," McGregor said. "That \$25 million turned into a \$250 million in revolving loan fund for Texas by leveraging our equity with private capital."

EFF is thrilled about what they achieved in Nevada through the public-private partnership, McGregor said.

"Our partner O-180 is an expert in the local eco-system and has an understanding of the local communities — and they know what it takes to back great schools," he said.