



# Financing Facility Improvements for Out-of-School Time and Community School Programs

*Strategy Brief*

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TOOLS FOR  
OUT-OF-SCHOOL TIME  
AND COMMUNITY  
SCHOOL INITIATIVES



# Financing Facility Improvements for Out-of-School Time and Community School Programs

## *Strategy Brief*

**P**olicymakers, parents and educators are increasingly recognizing the potential of high-quality out-of-school time programming and services to provide safe environments for children while parents work, offer constructive alternatives to high risk and delinquent behavior, and promote academic achievement. In recent years, new government and foundation investments have led to an increase in the supply of out-of-school time and community school programs. Yet these investments rarely account for critical infrastructure needs, such as facilities. As a result, out-of-school time and community school programs are frequently housed in whatever space is available in school or community-based settings. Often, that space is not sufficient to accommodate the many children in need of services. Nor is it appropriate to support the range of activities and services that out-of-school time and community school programs provide.

by Margaret Flynn with  
assistance from Amy Kershaw

The need for appropriate facilities is an important issue in efforts to build the supply and quality of out-of-school time and community school programs. Research and the experience of program personnel emphasize the effect that facilities can have on the quality and effectiveness of programming.<sup>1</sup> Well-designed, appropriate facilities are not only safe for children and youth but are also large and versatile enough to house a range of activities tailored to children's varying ages, interests and needs. By contrast, poorly designed and/or insufficient facilities can limit the range of activities a program is able to offer, interfere with effective provider/child interactions and cause great stress for children and providers. Licensing and accreditation requirements reflect the importance

of facilities by requiring that programs have spaces that are safe and sufficient, and that meet certain quality standards. As community leaders and program developers strive to build capacity and quality and meet licensing and accreditation standards,<sup>2</sup> the need for appropriate facilities is heightened.

Unfortunately, the cost of building new facilities or adapting space for the particular needs of school-age care can be prohibitive. Few programs have the income to address all of their operational needs—staff salaries, food, transportation, supplies and materials—let alone address their capital needs. In addition, program directors often have little technical expertise or experience in developing capital improvement projects. Thus, it is necessary for policymakers, community leaders and program developers to employ creative strategies to increase the pool of resources available for facility improvements (both construction and renovation) as well as to increase the access that out-of-school time programs and community schools have to those resources. It is also essential for policymakers, community leaders, and program developers to get help

<sup>1</sup> A Place of Their Own *handbook and video, The National Institute on Out-of-School Time, 2000.*

<sup>2</sup> *Licensing requirements typically focus on the safety and sufficiency of space—for example, requiring that programs have access to water or that there be a certain amount of indoor and outdoor space per child. In some states, out-of-school time programs are subject to child care licensing requirements while in others child care standards have been adapted or new standards have been created for OST programs. Accreditation standards pertain to the quality of space. The National School Age Care Alliance Indoor and Outdoor Environment accreditation requirements include a variety of quality components aimed at ensuring that indoor space, “allows children and youth to take initiative and explore their interests” and that outdoor space, “allows children and youth to be independent and creative”.*

from individuals and organizations in their community that have technical expertise in capital development and financing. This strategy brief presents general principles and strategies for financing facility improvements, and highlights examples of innovative projects throughout the country. It is meant to be useful to policymakers, community leaders and program developers, and to provide ideas for financing both large and small facility improvement projects. Many programs are not in the position to construct a new facility, however they may be able to finance small improvements that can make a significant difference in program quality.<sup>3</sup>

## General Principles for Financing Facility Improvements

Financing facility improvements can be complex and challenging. The following principles may help policy makers, community leaders and program developers to select appropriate strategies and implement them successfully.

- *Start with a clear picture of what you are financing.* Facility improvement projects should start with and center around your program goals. Begin by determining what the optimum and minimum facility needs are for the range of activities and services you offer, or would like to offer. Financing strategies can then be developed based on facility needs. The strategies used to finance a minor renovation of a single program site will be very different than those used to develop a pool of resources for facility improvements across a community. Likewise, appropriate financing strategies for school-based programs may be different than strategies for programs housed in community organizations.
- *Think broadly and creatively about how to make the best use of existing resources in the community.* Once you have determined what you wish to finance, it is important to look creatively at what resources are available in the community. Technical expertise as well as financial resources are crucial to the success

of facility improvement projects. Resources not typically tapped by out-of-school time and community school initiatives, such as community and economic development resources, can provide important support for facility improvement projects. There may also be existing spaces within a community, such as schools, parks, playgrounds, libraries, recreation centers, and commercial space that can be used creatively for out-of-school time and community school purposes.

- *Engage public and private sector partners based on their strengths and self-interests.* Create opportunities and incentives for a range of public and private sector partners, such as city government, developers, builders, community development organizations, lawyers, schools, foundations, parents, advocacy groups, and community-based organizations to contribute.
- *Be aware of political constraints and considerations.* In many cases, political obstacles can pose as many challenges to successfully implementing a facility improvement project as financial challenges. Think strategically about how to address the differing motivations and priorities of stakeholders to create win-win situations. For example, a host organization, such as a school or community-based organization, may not allow an out-of-school time program the authority to renovate the space it occupies. However, if the out-of-school time program developer creates a sound plan for a facility improvement project that offers benefits to the host organization and identifies possible funding sources, the host might be convinced to work in partnership with the program developer to implement the plan.
- *Join forces with other stakeholders.* All of those individuals and organizations that wish to see expanded school-age programming and revitalized communities—parents, schools, policymakers, program leaders, community leaders, funders—also have a stake in the development of quality facilities to house out-of-school time and community school programs. Bring them together to move forward a capital development project. No single person or organization is likely to be able to do the job alone.

<sup>3</sup> *The National Institute on Out-of-School Time video, A Place of Their Own: Designing Quality Spaces for Out-of-School Time, and accompanying handbook may be useful in understanding and designing appropriate facilities for out-of-school time programs.*

## Strategies

This section describes five strategies for financing facility improvements for out-of-school time and community school programs:

- 1) Accessing school construction dollars;
- 2) Using grants and donations;
- 3) Accessing low-cost debt;
- 4) Engaging partners to jointly develop facility improvement projects; and
- 5) Generating revenue through the tax and building codes.

These strategies cut across the child care financing, school financing, and community development arenas. The first strategy is aimed specifically at addressing the unique needs and constraints of school-based programs, while the remaining strategies can be employed by either school-based or community-based programs. The strategies are intended to help policy-makers, community leaders, and program developers to meet two complementary objectives: 1) to increase the overall pool of resources available for facility improvement projects, and 2) to help individual programs locate and access resources for facility improvements. Which strategies are most appropriate will depend on the scope and nature of the facility improvement project, and the political and economic conditions of the community. In some states and communities, work on developing capital resources for out-of-school time and community school facilities is well underway, and program developers may want to focus on strategies to locate and access existing resources. In other communities, there may be few or no existing resources for facility improvement projects, and as a first step, policymakers, community leaders and program developers may need to develop a pool of resources for facility improvements.

Facility improvement efforts often require a package that includes multiple financing strategies. For example, an out-of-school time program might join with an early education provider to jointly develop a new facility (Strategy 4), obtain a private grant for planning the project (Strategy 2), and finance the construction of the facility through a combination of private donations and a loan from a facilities fund

(Strategy 2 and Strategy 3). The considerations and examples included within each strategy are intended to help policy makers, community leaders, and program directors to identify strategies appropriate for their priorities and environment.

## 1. Accessing School Construction Dollars

School-based programs face unique challenges and constraints in addressing their facility needs. Frequently, they do not have dedicated space within schools, and if they do, they often do not have the authority to make changes to the space. In addition, many out-of-school time and community school programs are located in school facilities that are seriously overburdened. Deferred maintenance and construction, increasing enrollments, and increasing expectations about the range of activities that take place at school have led to overcrowded, outdated, poorly maintained schools in many areas.<sup>4</sup>

Currently, there is a great deal of attention focused on the need for investments in school facilities and new investments are being made at the state and local levels. A recent report from the General Accounting Office notes that state and local spending for school construction increased 39 percent from 1990 to 1997.<sup>5</sup> The current attention to and investments in school facilities presents a window of opportunity for policymakers, community leaders and school-based program developers. By becoming involved in state and local planning efforts for investments in school facilities, they can help to ensure that the next generation of schools includes appropriate space for out-of-school time and community school programs.<sup>6</sup>

<sup>4</sup> A recent survey by the National Education Association estimates that the total bill for school modernization is \$321.9 billion—53.7 billion for education technologies and \$268.2 billion for school infrastructures.

<sup>5</sup> *School Facilities Construction Expenditures Have Grown Significantly in Recent Years*, United States General Accounting Office, March 2000.

<sup>6</sup> A recent U.S. Department of Education publication, *Schools as Center of Community: A Citizens' Guide for Planning and Design*, provides information and examples to help educators, planners, and community members to collaboratively plan and design community school facilities.

In order to effectively advocate for new capital investments in school facilities, it is important for community leaders and program developers to understand the resources available for financing schools in their locality, and where the leverage points are to access some portion of those funds for construction or renovation of out-of-school time space within schools (see Understanding School Facilities Financing on page 6). Depending on the program and community circumstances, policymakers and program leaders may want to focus on advocating at the school, district, county or state level. In some states and localities, policy makers have passed measures that require or

encourage districts to include space for out-of-school time programs in school improvement projects. (See the Making Space box below).

### Considerations

- Cultivating positive relationships and exploring the benefits of out-of-school time and community school programs with education stakeholders, such as school principals, teachers, janitors, superintendents of schools, school board members, etc., is essential to gaining access to existing space within schools, and to being included in school capital improvement projects.
- Efforts to access school construction dollars for out-of-school time space will likely be more successful if out-of-school time community leaders and program developers are involved early in the capital planning process. Once a capital improvement plan and financing to support it are in place, district officials may find it difficult to make adjustments.
- Raising revenue to support school capital improvement projects locally requires broad community support. Out-of-school time and community school leaders can capitalize on their connections with parents and the community to garner support for voter initiatives that create revenue for school facilities.
- Some localities may be limited in their ability to generate revenue for capital investments because of property tax caps, state limits on the amount of debt local districts can take on, and lack of a strong property tax base. In these localities, out-of-school time and community school program developers might consider advocating for increased capital improvement funding at the state level.

#### MAKING SPACE FOR OUT-OF-SCHOOL TIME IN SCHOOLS

**F**ollowing are examples of state and local policies that require or encourage out-of-school time space to be included in new schools:

- California passed legislation in 1992 requiring that new or modernized elementary schools include appropriate space to accommodate before and after school programs.
- Maryland has legislation requiring county boards to encourage the use of public school facilities for community purposes, and allowing schools to make space available to non-profit programs for before and after-school care.
- The Seattle School District included language in their Building Excellence capital improvement plan which specifies that “facilities in the Building Excellence program will have space that could be used for health clinics (at the high schools) and....Elementary schools will have child care centers.”

## UNDERSTANDING SCHOOL FACILITIES FINANCE

### At the local level:

Traditionally, financing the construction, renovation, and maintenance of school facilities has been a local responsibility. The most common way of financing facilities at the local level is through the sale of general obligation bonds. By selling bonds to the general public, local districts borrow dollars for capital investment with the promise of repayment with interest. Districts levy local taxes to repay the principal and interest on the bonds, and are typically required to seek voter approval before they issues bonds. Out-of-school time and community school programs with strong links to the community can help to garner support for a bond initiative. Bond initiatives also provide an opportunity for community members to seek the inclusion of space within newly built or renovated school facilities for out-of-school time and community programs. (See the Newport example below.)

Other options local districts use to finance facilities include developing building reserve funds by earmarking local taxes over time, using “pay-as-you-go” strategies in which taxes are levied in amounts equal to current building needs, and by imposing impact/developer fees on new construction (See Strategy 4). All of these local options are dependent on a strong local tax base, and consequently, districts with low property wealth often struggle to meet school facilities needs. Some districts have responded with innovative partnership projects that engage the private sector or community agencies in school facility projects (See Strategy 6).

### At the state level:

As local districts struggle to finance facility needs, states are increasingly providing assistance with school construction costs. Most states offer some type of assistance, however the level and type of support varies dramatically across states. Some states provide direct aid to local districts for the construction and renovation of facilities. Direct aid systems typically provide more funding to schools in districts with lower tax bases and less to those in wealthier communities. Other types of facilities assistance offered by states include matching grants, aid for debt service, and loans. (For a state by state summary of assistance for facility needs, see the National Governors' Association publication, *Building America's Schools: State Efforts to Address School Facility Needs*, June 2000.)

### At the federal level:

The federal government does not generally offer direct support to states or localities for financing school facilities. In recent years, growing attention to the poor condition of school facilities nationally has led many to advocate for increased federal investments in school construction through a number of legislative proposals, however comprehensive legislation has not passed. The federal government does, however, provide indirect support for school construction and renovation through the tax code and has recently expanded that support through the Qualified Zone Academy Bond (QZAB) program. QZABs use tax benefits to assist state and local educational agencies in financing the renovation and repair of public school facilities (they cannot be used for new construction). Under the QZAB program, the federal government provides a tax credit in lieu of the interest that local districts usually have to pay on general obligation bonds. The school district or other bond issuer is then only responsible for repaying the amount borrowed, significantly reducing the overall cost of a bond. To be eligible to use a QZAB, a public school must either be located within an Empowerment Zone or Enterprise Community or at least 35 percent of the school's students must be eligible for the free or reduced-price lunch program. Schools that benefit from QZABs are required to receive cash or in-kind donations from private entities worth at least ten percent of the bond amount. (For more information on the QZAB program, see the U.S. Department of Education publication *Fixing Our Schools Now! Qualified Zone Academy Bonds: A New Approach in Financing School Renovation and Repair*, April 2000.)

## BUILDING A SCHOOL FOR THE COMMUNITY IN NEWPORT, RHODE ISLAND

In Newport, Rhode Island, school district officials launched a community engagement process to pass a bond initiative that led to the design of a school facility that can serve as the center of the community. In the early 1990's, the Thompson Middle School in Newport was in dire need of capital investments. The school, a historic building, was structurally deteriorating. An effort to pass a bond initiative to support the construction of a new facility on a different site failed.

A few years later, policymakers attempted a second bond initiative. However, this time they were careful to involve community stakeholders early in the process. Extensive public participation in the planning of the project—all the way from big-picture decisions about finances to the details of construction—went a long way toward building support for the project. The new school was designed to reflect two community priorities: 1) that the existing school structure, a historic landmark, be maintained and 2) that the renovated school facility include space for a variety of community services. A \$19 million bond to finance the facility was overwhelmingly approved by voters. Qualified Zone Academy Bonds (see Understanding School Financing box on page 6) and private donations were used to defray the cost of the bond to voters. The old school building was renovated and a significant addition was built that includes a human service mall. The human service mall has space for a variety of activities including counseling services and after-school tutoring programs.

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## CREATING SPACE FOR OUT-OF-SCHOOL TIME IN SEATTLE PUBLIC SCHOOLS

The Seattle Public School District, in collaboration with the City of Seattle, has worked to maximize opportunities for community use of schools. The District's current capital improvement plan, the Building Excellence program, specifies that "facilities in the Building Excellence program will have space that could be used for health clinics (at the high schools) and . . . Elementary schools will have child care centers." The District included dedicated space for after-school and/or pre-school programs in each of the 28 new or remodeled elementary schools funded by its past two construction levies. High quality spaces meeting state child care licensing regulations have been build for up to 50 children in each of these 28 schools. Community-based providers offer licensed year-round care for school-age children, and in some cases pre-schoolers, depending on available space and community needs.

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## 2. Using Grants and Donations

Community leaders and program developers may be able to access grants from both the public and private sectors and raise private donations to support facility improvement projects. Grants and donations can provide the primary support for a facility improvement project, or they can be used in conjunction with other strategies, such as debt financing, to support a facility improvement project.

In order to access grants for facility improvement projects from the public sector, policymakers and program developers have to look broadly at funding sources not traditionally used to support out-of-school time and community school initiatives. While most of the federal and state grants that commonly support out-of-school time and community school programs do not provide funds for facility improvements, there are public funding sources aimed at fostering community and economic development that can support facility improvements for out-of-school time and community school initiatives. At the federal level, many of these potential funding sources are administered by the Department of Housing and Urban

Development (HUD).<sup>7</sup> The U.S. Department of Agriculture (USDA) also provides a small number of grants for community facilities development in rural areas.<sup>8</sup> Finally, the Child Care and Development Fund, though it cannot be used for construction or renovation, can be used to support minor improvements in facilities.<sup>9</sup> (See the box to the right for more detail on federal programs supporting facilities improvements.)

These federal funding sources are typically administered by the federal government to states or localities which then have the flexibility to determine how and to whom they will make the funds available. In addition, some states and/or localities have established grant programs for facilities improvements for child care (including out-of-school time programs) or to fund child care and out-of-school time capacity-building more generally (with facility improvement being one activity of many possible funded activities). For example, Minnesota provides grants to local governments to renovate or construct facilities that will improve the quality and/or supply of out-of-school time enrichment activities.

Grants and donations from the private sector are also an important source of support for facility improvement projects. A common means of raising private funds is to undertake a capital campaign—a targeted fundraising effort through which organizations seek donations and grants to support capital improvements. Typically, capital campaigns have a set goal and timeframe and are undertaken separately from other development activities. Through capital campaigns, programs can garner support for facility improvements from a variety of private sector sources including individuals, corporations, foundations, and faith-based organizations.

<sup>7</sup> HUD also has programs that support community lending which are included in Strategy 3—Creating/using facilities funds to finance facility improvements.

<sup>8</sup> The bulk of funding under the Community Facilities Loans and Grants Program goes to support low-cost direct loans and loan guarantees for community facilities—See Strategy 3.

<sup>9</sup> Tribal governments that receive approval from the federal Child Care Bureau are allowed to use CCDF funds for construction projects.

#### FEDERAL GRANT PROGRAMS THAT CAN SUPPORT FACILITY IMPROVEMENTS

##### U.S. Department of Housing and Urban Development

- The Community Development Block Grant provides grants to states, counties, and cities to carry out a wide range of community development activities, including the construction of public facilities, such as neighborhood centers.
- The Empowerment Zone/Enterprise Community (EZ/EC) Initiatives provide tax incentives and performance grants to economically-distressed urban and rural communities. EZ/EC grants can be used to fund a wide range of job creation and job-related activities, including increasing the child care capacity in EZ/EC communities by building or renovating child care facilities.
- Hope VI provides funds to public housing authorities for the redevelopment of public housing. Funds can be used to construct community facilities within the housing complex, such as youth centers, family resource centers, etc.

For more information on these and other HUD programs, see [www.hud.gov](http://www.hud.gov).

##### U.S. Department of Agriculture

- The Rural Development Community Facilities Loans and Grants Program provides a small amount in grants (approximately \$52,000/state annually) for community facilities development in rural areas. For more information see [www.rurdev.usda.gov/rhs/cf/cp.htm](http://www.rurdev.usda.gov/rhs/cf/cp.htm) or call (202) 720-1490.

##### U.S. Department of Health and Human Services

- The Child Care and Development Fund, the primary federal program supporting child care, can be used to support minor remodeling to facilities (though not new construction) and upgrades to comply with state and local child care standards. For more information see [www.acf.dhhs.gov/programs/ccbf/](http://www.acf.dhhs.gov/programs/ccbf/).

For smaller scale improvement projects, programs might also opt to raise funds more informally through parent and community networks. For example, a program could form a committee of parents to organize fundraising events in the community, or seek grant funding from local foundations. In all fundraising efforts, program leaders should keep in mind the value of in-kind contributions to facility improvement projects. Obtaining donations of materials, labor, and technical expertise can significantly defray the cost of a facility improvement project.

### Considerations

- While less traditional public funding sources, such as community block grant dollars, hold potential for financing facility improvements, tapping into them will likely require developing collaborations

with new partners, such as community development corporations, housing authorities and others working to strengthen the economic underpinnings in their communities.

- Undertaking a capital campaign is a strategy that will be most easily implemented by organizations that have established donor bases and are well-recognized in the community. Smaller programs with less community presence might consider undertaking a joint fundraising campaign with other out-of-school time programs to establish a pool of capital improvement dollars or in-kind resources for the community.
- Engaging business, philanthropic, and faith-community leaders to champion fundraising efforts will increase the chances of success.
- Parents can provide an important source of in-kind support for facility improvement projects. They may have useful technical or professional expertise, such as knowledge of real estate or carpentry, and may also be willing to donate their labor. Programs might even consider trading discounted or free out-of-school time and community school services in exchange for technical expertise, labor, or materials from parents.

### RESOURCES FOR CAPACITY-BUILDING

**L**ook broadly at the resources that are available for child care capacity-building and economic development in your community. Following are a few places to start:

- Contact your local HUD office to get information about local HUD projects and programs. For a listing of HUD offices in every state, see [www.hud.gov/local.html](http://www.hud.gov/local.html).
- Contact your state or local child care office to determine if child care capacity-building grants are available that could be used for facility improvements. For state child care contacts see the National Child Care Information Center website at [www.nccic.org](http://www.nccic.org) or call 1-800-616-2242.
- Contact your state or local Department of Education to determine if it offers capacity-building grants for after-school programs that can be used for facilities improvements.
- Contact your state or local economic development department to determine if they make small business loans available that can be used for child care facilities or if they support child care capacity-building.

### USING EMPOWERMENT ZONE FUNDS TO CREATE A COMMUNITY SERVICE CENTER

**I**n Detroit, the Child Care Coordinating Council, the Empowerment Zone Office, and the W. K. Kellogg Foundation joined together to renovate an abandoned library to serve as a family service center. The renovation was funded with \$4.5 million in Empowerment Zone grant funding and a matching grant of \$4.5 million from the Kellogg Foundation. The center provides a continuum of services for families and children including health care services, parenting classes, child care, and after-school programs.

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#### A SUCCESSFUL CAPITAL CAMPAIGN TO BUILD A YOUTH CENTER IN PORTLAND

**I**n Portland, Oregon, Self-Enhancement, Inc. (SEI), a local provider of youth programming, successfully raised \$10 million through a capital campaign. SEI used the funds from the capital campaign to build a 62,000 square foot youth center that includes a dance studio, a recording studio, five classrooms, a health clinic, a computer center, a full cafeteria and commercial kitchen, a recreation area, and a gym. Key to the success of the capital campaign was having an established track record in providing quality programming for youth. SEI took prospective donors on a bus tour through low-income neighborhoods, ending the tour at SEI's in-school programs where donors-to-be met children who would benefit from the new facility. Another element of the campaign's success was gaining the support of key donors. U.S. Bank provided a lead gift of \$1 million and U.S. Bank executive, Ed Jensen, chaired the campaign. This leadership opened the door to other donors who provided large contributions.

In addition to cash donations, SEI took advantage of over \$1 million dollars in donated labor and materials from contractors and received permission to build the center on city park land. The fact that the project would result in the renovation of a deteriorating city park helped to gain the support of the state legislature, which allocated \$1.2 million in state lottery funds to the project.

The center, completed in 1997, now serves youth aged 8–25 through a variety of comprehensive programs and services, including after-school tutoring and recreation programs.

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#### SAN FRANCISCO, CALIFORNIA: THE ADOPT A CHILD CARE CENTER PROGRAM

**R**ecognizing that many child care programs have capital needs that are too small to qualify for a loan through their Child Care Facilities Fund, the City and County of San Francisco initiated a new "in-kind" program. The Adopt a Child Care Center Program matches local construction companies willing to donate volunteer time and materials with nonprofit child care centers needing renovations to expand, maintain or improve their facilities. Since its creation in the spring of 1999, more than 20 child care programs have received improvements to their facilities, such as new flooring, roof repairs, additional bathrooms, and kitchen renovations. These improvements have enhanced program quality, and in some cases, expanded capacity.

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### 3. Accessing Low-Cost Debt

Although not typically used by school-age programs, debt is a logical means of making capital investments. Capital expenses are fundamentally different from other program expenses. Unlike office staff salaries, supplies, food and utility bills, capital expenditures are made infrequently and have a useful life that spans years or even decades. A loan spreads the cost of the investment over the useful life of the facility. In effect, with each monthly loan payment the borrower is only paying for that portion of the investment being used to deliver that month's services.

However, school-age programs have traditionally faced a number of barriers to using loans to finance facility improvement projects. Programs often barely have the revenue to cover their on-going program costs—and so cannot afford loans with market interest rates. In addition, banks are often unwilling to make loans to out-of-school time program developers because requested loans are too small or because programs lack sufficient collateral. Finally, most out-of-school time and community school programs are

unfamiliar or uncomfortable with the use of debt.<sup>10</sup>

A promising trend emerging across the country is the development of facilities funds that provide low-cost loans and grants to help community agencies to finance facility improvement projects. Facilities funds are specialized lending institutions that are designed to make loans more accessible to the child care and social service sector. They leverage public and private dollars to create a pool of capital and assist programs to develop financing packages that are appropriate to their needs and fiscal capacity. (See the Sources of Capital box on page 12 for examples of capital funding sources.) In addition to loans, many facilities funds provide grants and offer technical assistance to support the planning and implementation of the project. In some cases, these facilities funds target their services specifically to child care providers (including OST providers), while in other cases they serve a broader range of community agencies.

<sup>10</sup> Building for the Future: A Guide to Facilities Loan Funds for Community-Based Child and Family Services by Carl Sussman, *The Finance Project*, December 1999.

#### MAKING DEBT MORE ACCESSIBLE TO OUT-OF-SCHOOL TIME PROVIDERS

Following are mechanisms that can be used by the public and private sectors to make loans a more realistic option for OST providers:

- *Loan Guarantees* reduce the risk of providing a loan by guaranteeing repayment of some portion of the loan if the borrower is not able to pay the loan back. The federal government has loan guarantee programs and some states have also created loan guarantee programs. (See the Maryland example on page 13.)
- *Debt Service Subsidies/Repayment* are annual grants that help organizations make their loan payments. (See the San Francisco example on page 13.)
- *Linked-Deposits* are a way in which governments use their "deposit power" (the fact that they deposit significant sums of money in banks) as a means of encouraging banks to make loans at reduced rates to certain sectors (for example, the child care industry) or to specific borrowers.

In recent years, facilities funds have grown up in a variety of settings. Many of them are located within community development lenders. Community development lenders are private-sector financial intermediaries that have traditionally focused on making loans for the development of affordable housing and eco-

#### LOANS AND GRANTS FOR SCHOOL-AGE FACILITIES

The Child Care Capital Investment Fund (CCCIF), a specialized program of the Community Economic Development Corporation—a local development lender—in partnership with The Boston School-Age Child Care Project (BSACCP), offers a capital funding program called the Facilities Initiative to improve and expand school-age care facilities in Boston. The initiative has been an integral component of Boston's efforts through the Boston School-Age Child Care Project/Making the Most of Out-of-School Time (MOST) to increase and enhance the supply of quality out-of-school programming. The goal of the Facilities Initiative is to provide capital funding to quality, well-designed projects which either increase the supply of school-age child care or improve the quality of existing program environments. Funding can be used to support facility assessment and planning, facility improvements, and technical assistance. The funding package available is a combined grant and low-interest loan award. Funding for the school-age grant and loan project is provided by several local and national foundations and from the revolving loan fund of the CCCIF. The project is administered by Parents United for Child Care (PUCC), a parent advocacy organization. PUCC and CCCIF work closely with providers to determine their ability to afford and manage debt financing. Organizations that are not able to support loans are awarded grant funds only.

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conomic development within low-income communities. Increasingly, these lenders are applying their experience and expertise in capital development to the child care and out-of-school time fields. State and local governments also have set up and operate loan funds for child care facility improvement projects.<sup>11</sup>

### Considerations

- Take advantage of technical expertise in your community. Intermediary organizations, such as community development lenders, may be able to help develop financing for a facility improvement project, even if they do not operate specialized child care facility loan programs. They have the expertise, and often the willingness to leverage funding from a variety of public and private resources.
- Loan strategies are more likely to be appropriate for community-based programs. School-based programs often do not have the authority to make changes to their space, and are reluctant to take on debt to renovate space that they do not own.
- Public sector debt subsidy programs can be an attractive option for states and localities struggling to address child care and out-of-school time infrastructure needs. They allow the state or locality to spread the financial burden of capital investments over a number of years.
- In order to successfully convince public officials, community development lenders, banks, and others to develop or invest in facility funds, make the connection between out-of-school time programming and community economic development—out-of-school time programs can support parents efforts to work, help to create safer streets, and instill skills in youth that will lead to the development of a strong future workforce.

<sup>11</sup> For more information on facilities funds, including a listing of selected facilities funds throughout the country, see *The Finance Project* publication *Making Space For Children: A Toolkit for Starting a Child Care Facilities Fund*.

## SOURCES OF CAPITAL FOR FACILITY FUNDS

### Federal

- The Community Development Financial Institutions Fund provides capital to qualifying lending and financial institutions that serve distressed communities. [www.ustreas.gov/cdfi](http://www.ustreas.gov/cdfi)
- The HUD Section 108 Housing and Community Development Loan Fund is a source of low-interest loans for Community Development Block Grant eligible jurisdictions. [www.hud.gov/cpd/108fact.html](http://www.hud.gov/cpd/108fact.html)
- The USDA Community Facilities Program provides direct loans at excellent terms and loan guarantees for community facilities including youth facilities, child care centers, and schools in rural areas. [www.usda.gov/rhs/cf/cp.htm](http://www.usda.gov/rhs/cf/cp.htm)

### State and local

- States and localities may direct general funds or issue bonds to support loan programs for facilities improvements.

### Private

- Banks frequently provide debt funding to facilities funds. The Community Reinvestment Act (CRA) is a federal law that requires banks to help to meet the credit needs of the local communities in which they are chartered, including low-income communities. New CRA regulations released in 1996, which include child care as a viable community development lending option, provide incentive for banks to extend credit for child care facilities projects. Many states also have reinvestment policies, which, if they specify child care lending as a reinvestment activity, can also encourage bank lending to the child care industry.
- Foundations may provide either grants or low-cost debt to support facility funds.

#### SAN FRANCISCO, CALIFORNIA: PUBLIC SECTOR DEBT SUBSIDIES

**R**ecognizing that many nonprofit child care programs could not afford to repay loans for capital expansion and improvements, the City and County of San Francisco helped secure public and private sector funding for a new child care facilities loan program and then pledged up to \$1 million dollars annually in general funds to subsidize up to 80% of the cost of principal and interest for the providers receiving loans through the new program. This means programs are required to pay as little as 20% of the principal and interest over the life of the loan while the public sector pays for up to 80% of the cost of the loan. They also can receive grants for predevelopment and for equipment and working capital. This type of deep subsidy makes facility improvement projects considerably more affordable for child care programs while also helping the City and County to use debt financing to address its immediate need for additional high-quality child care spaces. In this case, the funding for the loans also came from the public sector (the Section 108 Housing and Community Development Loan Program administered by the U.S. Department of Housing and Urban Development) but a bank or a philanthropy could be an appropriate entity to make the loans available to child care programs.

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*Phone: (415) 772-9094 x302*

#### MARYLAND'S CHILD CARE FACILITY LOAN PROGRAMS

**M**aryland's Department of Business and Economic Development provides day care financing as a part of its Small Business Unit within the Division of Financing Programs. The goal of the program is to promote the development and/or expansion of quality day care facilities for children (including school-age children), adults, and disabled people of all ages.

- The Child Care Special Loan Fund provides direct loans of up to \$10,000 to eligible providers at fixed or below market rates for furniture, inventory, supplies, training and repairs; equipment for infants and children with special needs; access or services for persons with disabilities; and renovations and upgrades to meet state and local licensing requirements.
- The Day Care Facilities Direct Loan Fund is designed to finance up to 50 percent of the cost the expansion or development of a child care facility. Loans may be used for construction, renovation or acquisition of real property or to finance lease-hold improvements. The minimum amount that may be borrowed is \$15,000.
- The Day Care Facilities Loan Guarantee Fund provides loan guarantees for construction, renovation, purchase of land and building, equipment, supplies and working capital. This is not a direct loan or grant, but a guarantee of up to 80 percent of a loan provided to the applicant by a commercial bank, thrift institution or private lender. This guarantee is available for loans made for the expansion or development of day care centers for children, the elderly and disabled people of all ages.

*Contact: Maryland Department of Business and Economic Development*

*Phone: (410) 767-6359*

#### 4. Engaging Partners to Jointly Develop Facility Improvement Projects

While out-of-school time programs may not have the capacity to finance a facility construction or renovation project on their own, it may be possible to join with partners to share the burden of undertaking a facility improvement project. Partnership development projects are possible for both community-based out-of-school time facility construction projects and for school construction projects that include space for out-of-school time programs.

There are a variety of possible partners in both the public and private sectors who may have an interest in jointly developing a facility improvement project. The key to engaging partners is understanding what benefits they can reap from a partnership and appealing to their self-interest. For example, private developers may be willing to help finance a facility renovation project in exchange for the opportunity to develop land. (See the Oyster School example on page 15.) Community-based organizations and public entities such as park and recreation departments may not have the resources to construct or renovate their own facility and may be interested in partnering with out-of-school time programs or school systems to share resources and create multi-use space. (See Maryland example.) Public or low-income housing developers may be willing to renovate or construct space appropriate for out-of-school time programs in order to decrease crime and violence in their housing community. There are many possibilities, each of which require creativity, commitment, and hard work to actualize.

##### Considerations

- Issues of ownership, finance, shared facility use, and shared maintenance responsibilities must be addressed and agreed upon early in the relationship when developing multi-use facilities.
- It is important to involve and educate the community when developing partnership projects, particularly public-private partnerships. Community members may be wary of private involvement in arenas that have traditionally been public, such as school facilities construction.
- Partnership projects typically take longer than projects undertaken by a single entity because time has

to be dedicated to relationship-building and developing consensus.

- Regulatory barriers, such as differences in zoning policies among different public and private-sector entities, or regulations requiring schools to be built on property owned by the school board, may need to be addressed in order to support partnerships for facility development.
- The federal Quality Zone Academy Bonds (see the box on Understanding School Facilities Finance in Strategy 1) may be useful in leveraging private investment in school facility projects because they require a ten percent private sector match.

#### BUILDING COMMUNITY SCHOOLS IN MARYLAND

In Prince George's County, Maryland, the County Government, the Board of Education and the Maryland-National Capital Park and Planning Commission have joined forces to build community park/school centers. In 1998 the county came under pressure to build new schools when a court order ended 25 years of busing for desegregation and required that 13 new schools be built. The county, which has a voter-imposed cap on property taxes, was struggling to meet the need for new schools, and saw the development of joint community park/school centers as an opportunity to share the costs of construction and achieve economies of scale. For the first project, a 750-student school is being added to an existing community recreation center. The two buildings will share a gymnasium, parking lot, athletic fields and several rooms. Officials estimate that the county will save approximately \$1.5 million by adding the school to the community center rather than constructing a new school. In addition to cost savings, the project will transform the school into a true center of the community. A variety of community activities for people of all ages will take place at the facility, and the students will have the benefit of the community center facilities for after-school activities. Additional community park/school projects are in the planning stages in the county.

*Contact: Douglas A. Brown, Deputy Chief Administrative Officer for Budget, Finance and Administration, Prince Georges County Government, Phone: (301) 952-4078*

### BRANDEIS REDEVELOPMENT PROJECT

In Louisville, Kentucky, a child care provider and a non-profit housing developer joined together to redevelop an abandoned school facility and campus into an affordable housing complex and child care facility. The impetus for the project was the closing of the local elementary school in the Parkland neighborhood in 1991. Concerned neighborhood residents and New Directions, a local non-profit housing developer, saw the abandoned structure as an opportunity to develop affordable housing, accessible jobs and child care. New Directions took the lead on the project, recruiting investors to purchase and renovate the Brandeis School into a non-profit housing development. They also donated land on the school campus to the St. Benedict Center for Early Childhood Education for construction of a child care facility. With the help of New Directions, St. Benedict Center for Early Childhood Education undertook a capital campaign that raised \$700,000 to build the facility on the Brandeis campus. Many of the investors that had made loans to New Directions for the housing redevelopment project donated funds for the child care facility. Construction on the facility, which includes space to serve 160 children aged 6 weeks through 12 years and houses a camp for school-age children in the summer months, was completed in 1997.

The joint development project created benefits for all involved. The St. Benedict Center received the benefit of donated land to build on and assistance with raising funds to construct a new child care facility. New Directions benefits from the increased desirability that an accessible child care facility adds to its housing complex, and the community as a whole benefits from the improved infrastructure and services created by the project.

Contact: Lisa Thompson, Phone: (502) 589-2272

### ENGAGING PRIVATE PARTNERS TO BUILD A NEW SCHOOL

The Oyster Public/Private Development Partnership is a project in which a private developer agreed to pay for the construction of a new elementary school in exchange for the opportunity to develop a portion of the school site. In the early 1990's, parents of children attending the Oyster Elementary School in Washington, DC, a model bilingual program, began campaigning for capital investments in the school. The Oyster School, a 72 year-old facility was cramped and crumbling. One quarter of the school's students were housed in portable classrooms, which were 10-20 years old and deteriorating. However, when Oyster's administrators requested new portable classrooms, they were told that there were no capital funds to invest in the school, and Oyster was ultimately put on a list of 40 DC public schools to be considered for closing or consolidation.

Mobilized by the threat of closing, the Oyster community began to seek creative solutions to their facilities needs. The 21st Century School Fund, a local non-profit organization focused on school facility financing, played a key role in facilitating the public/private development partnership. Leaders of the 21st Century School Fund recognized that the Oyster school's location on prime real estate in a thriving area in DC was an asset that might attract private investors. They played an intermediary role between the public and private sectors and engaged the school and surrounding community in the planning efforts. Supported by a planning grant from the Ford Foundation, the 21st Century School Fund conducted a feasibility and market study which determined that financing a school through partnership with a private developer was, in fact, feasible. Presented with the feasibility study, the DC Board of Education approved moving forward with a request for proposals. LCOR, Inc., a Maryland-based developer, was selected as the private partner. Through an innovative arrangement, LCOR, Inc. agreed to repay an \$11 million District revenue bond used to finance construction of the new school facility in exchange for the right to build an apartment building on what had been a school field. In return, the District agreed to forgive property taxes on the new development equal to the bond repayment amount. The new school facility includes a health suite, multi-purpose space that accommodates an after-school program, and an after-school programming office and storage area.

Contact: Mary Filardo, 21st Century School Fund, Phone: (202) 745-1713

## 5. Increasing investments in OST/CS facilities through the tax and building codes

State and local governments can use their taxing and regulatory authority to increase investments in out-of-school time and community school facilities. Governments typically do this in two general ways:

1) Governments may choose to establish dedicated local revenue sources that can support out-of-school time and community school facilities. Dedicated local revenue sources are targeted taxes and fees that are earmarked to support specific purposes. There are many mechanisms for creating dedicated local revenue sources. A mechanism that is commonly used to support child care (including out-of-school time) facilities is developer fees. Developer fees are based on the notion that new commercial and/or residential development imposes new burdens on existing child care and education capacity in the community. Cities throughout the country, including San Francisco (see example on page 17) and Boston, have established ordinances which mandate that commercial and/or residential developers provide on- or near-site child care facilities OR pay a fee into a community child care fund.<sup>12</sup> Developer fees deposited into a community child care fund are then used to increase the capacity and/or quality of child care depending on local needs and priorities.

Other dedicated local revenue mechanisms may also potentially support out-of-school time and community school facilities. Examples include tax levies—an add-on to an existing tax (see Georgia Special Purpose Local Option Sales Tax example on page 17), or implementing narrowly-based taxes—for example “sin” taxes on products such as cigarettes or alcohol.<sup>13</sup>

2) Governments may also choose to implement tax and zoning policies that reward businesses for including space for child care (including school-age care) on-site. For example, governments may implement tax credits or rebates that reduce the tax liability of businesses in proportion to their investments in facilities for child care and out-of-school time programs. Governments may also reward developers for developing space for child care in the

community by offering zoning bonuses. For example, in Seattle, developers receive a bonus for every square foot of child care space they create that allows them to develop property in excess (by 3.4-16 feet) of the square footage permitted by zoning ordinances.

### Considerations

- Tax and regulatory strategies, which typically require approval by either state legislatures, city councils, or voters to be implemented, tend to be difficult to put in place, particularly in fiscally conservative states and localities.
- Successfully establishing a dedicated local revenue source requires significant community mobilization and coalition-building efforts. Out-of-school time and community school policymakers and program developers might consider joining with the larger child care and economic development community to advocate for dedicated local revenues for facilities.
- Depending on the local needs and resources and the local political climate, it might be easier to gain broad community support for a dedicated local revenue source that is targeted generally to supports and services for children and youth (with facilities being one possible funding option), rather than narrowly targeted to support facilities.
- Dedicated revenue sources, such as developer fees, are beyond the annual appropriations fray and so tend to be more stable than grant funds. However, the revenue generated from them is generally tied to the strength of the economy and depending on the tax used, can vary widely over time. Whether they are a good strategy will depend on the current strength and projected growth of the economy in the target community.

<sup>12</sup> Investing in the Future: Child Care Financing Options for the Public and Private Sectors. *The Center for Policy Alternatives and the Child Care Action Campaign* (September 1992).

<sup>13</sup> For more information about dedicated local revenue sources see Creating Dedicated Local Revenue Sources for Out-of-School Time Initiatives, *Barbara Hanson Langford, The Finance Project* (September 1999).

#### SAN FRANCISCO, CALIFORNIA: DEVELOPER FEES

The San Francisco City Council established a developer fee in 1985 to address the child care needs of families affected by new development. According to city regulations, developers building or renovating office or hotel buildings larger than 100,000 square feet must either build a child care center on site or pay a fee to the city of \$1 per square foot of space. Since its inception, the developer fee regulation has generated close to \$2 million. Fees are used to support the city's Child Care Capital Fund (formerly known as the Affordable Child Care Fund). The city allocates a portion of these revenues to the San Francisco Child Care Facilities Fund (CCFF)—a public-private partnership administered by the Low Income Housing Fund. The CCFF also receives funds from the city's general revenues, several local banks, and private donations. The CCFF provides grants and low-cost financing to non-profit child care centers and family child care homes to assist with the development, expansion, or repair of facilities. It also provides technical assistance to enhance providers' facilities expertise and business management skills.

Contact: Dolores G. Terrazas, Citywide Child Care Coordinator

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#### GEORGIA'S SPECIAL PURPOSE LOCAL OPTION SALES TAX (SPLOST)

In 1996, Georgia voters approved a measure that gave local districts the option to levy a 1-cent sales tax for school construction and renovation, to be charged in addition to an existing state sales tax of 4 cents and other local sales taxes. Since 1996, almost 90% of the school systems in Georgia have proposed at least one SPLOST election and over 92% of those proposed have been approved. A district can vote to levy the tax for a maximum of five years though some districts have implemented the SPLOST for a shorter period of time.

DeKalb County is one district in which the SPLOST has had a significant impact. DeKalb implemented the SPLOST in 1997 for a period of five years. Since implemented, the SPLOST has generated \$ 241 million for DeKalb County. DeKalb is using these revenues to support a major capital improvement project. Eleven new schools will be constructed, classrooms will be added at 25 schools, and multipurpose gyms will be constructed at each of the 78 elementary schools in the county. These multipurpose spaces will be used for after-school and community programs.

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## Conclusion:

Facilities are an important issue in efforts to improve the quality and build the supply of out-of-school time and community school programs. However, fiscal constraints make facility improvement projects difficult for many programs and communities to implement. Increasingly, policy makers, community leaders, and program directors throughout the country are employing creative strategies to finance the renovation or construction of appropriate, quality facilities. Their efforts illustrate the importance of thinking broadly and creatively about the range of resources available in the community; combining financing strategies appropriate to project objectives; engaging a variety of public and private sector partners; leveraging funds from non-traditional sources; and persevering through long and intensive planning and implementation processes.

## Resources on Financing Facility Improvements for Out-of-School Time Programs and Community Schools

### Publications of The Finance Project

*Creating Dedicated Local Revenue Sources for Out-of-School Time Initiatives* by Barbara Hanson Langford (September 1999).

*Financing After-School Programs* by Robert Halpern, Carol Cohen, and Sharon Deich (Fall 1999).

*Finding Funding: A Guide to Federal Sources for Out-of-School Time and Community School Initiatives* by Nancy D. Reder (2000).

*Making Space for Children: A Toolkit for Starting a Child Care Facilities Fund* by Amy Kershaw (Forthcoming).

*Building for the Future: A Guide to Facilities Loan Funds for Community-Based Child and Family Services* by Carl Sussman (December 1999).

### Other Resources

*Building America's Schools: State Efforts to Address School Facility Needs*. National Governors' Association (June 2000).

*Financing Child Care in the United States: An Illustrative Catalog of Current Strategies* by Anne Mitchell, Louise Stoney, and Harriet Dichter. The Ewing Marion Kauffman Foundation and The Pew Charitable Trusts (1997).

*Financing the Future: Innovations in Child Care Financing*. The Center for Policy Alternatives (August 1996).

*Fixing Our Schools Now! Qualified Zone Academy Bonds: A New Approach to Financing School Renovation and Repair*. U.S. Department of Education (April 2000).

*Investing in the Future: Child Care Financing Options for the Public and Private Sectors*. The Center for Policy Alternatives and the Child Care Action Campaign (September 1992).

*Modernizing Our Schools: What Will It Cost?* National Education Association (May 2000).

*A Place of Their Own: Designing Quality Spaces for Out-of-School Time* (Video and Handbook). National Institute on Out-of-School Time (2000).

*Rebuilding our Schools: Brick by Brick*. The Neighborhood Capital Budget Group (November 1999).

*Schools as Center of Community: A Citizens' Guide for Planning and Design*. U.S. Department of Education (April 2000).

*School Facilities Construction Expenditures Have Grown Significantly in Recent Years*. United States General Accounting Office (March 2000).

*What If? New Schools, Better Neighborhoods, More Livable Communities*. Metropolitan Forum Project and the James Irvine Foundation (1999).

*Thirty-Three Educational Design Principles for Schools & Community Learning Centers*. By Jeffery A. Lackney. Educational Design Institute Mississippi State University (January 2000).

## Organizations

21st Century School Fund  
2814 Adams Mill Road, NW  
Washington, DC 20009  
(202) 745-3745  
[www.erols.com/t21stcsf](http://www.erols.com/t21stcsf)

The Center for Policy Alternatives  
1875 Connecticut Ave., NW Suite 710  
Washington, DC 20009  
(202) 387-6030  
[www.cfpa.org](http://www.cfpa.org)

The Coalition of Community Development  
Financial Institutions  
Public Ledger Building, Suite 572, 620 Chestnut St.  
Philadelphia, PA 19106  
(215) 923-5363  
[www.cdfi.org](http://www.cdfi.org)

The Enterprise Foundation  
410 S. Michigan, Suite 928  
Chicago, IL 60605  
(312) 341-1555  
[www.enterprisefoundation.org](http://www.enterprisefoundation.org)

The Local Initiatives Support Corporation—  
Community Investment Collaborative for Kids  
(CICK)  
733 Third Avenue  
New York, NY 10017  
(212) 455-9840  
[www.liscnet.org](http://www.liscnet.org)

National Clearinghouse for Educational Facilities  
1090 Vermont Avenue, NW, # 700  
Washington, DC 20005-4905  
(202) 289-7800  
[www.edfacilities.org](http://www.edfacilities.org)

The National Child Care Information Center  
243 Church St., NW, 2nd Floor  
Vienna, VA 22180  
1-800-616-2242  
[www.nccic.org](http://www.nccic.org)

National Institute on Out-of-School Time  
Center for Research on Women  
Wellesley College  
Wellesely, MA 02481  
(781) 283-2546  
[www.niost.org](http://www.niost.org)

New Schools/Better Neighborhoods  
811 West Seventh St., Suite 900  
Los Angeles, CA 90017  
(213) 629-9019  
[www.nsbm.org](http://www.nsbm.org)

U.S. Department of Education  
400 Maryland Avenue, SW  
Washington, DC 20202-0498  
1-800-USA-LEARN  
[www.ed.gov](http://www.ed.gov)

U.S. Department of Housing and  
Urban Development  
451 17th Street, SW  
Washington, DC 20410  
(202) 708-1112  
[www.hud.gov](http://www.hud.gov)

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## The Finance Project

**T**he Finance Project is a non-profit policy research, technical assistance and information organization that was created to help improve outcomes for children, families, and communities nationwide. Its mission is to support decision making that produces and sustains good results for children, families, and communities by developing and disseminating information, knowledge, tools, and technical assistance for improved policies, programs, and financing strategies. Since its inception in 1994, The Finance Project has become an unparalleled resource on issues and strategies related to the financing of education and other supports and services for children, families, and community development.

### The Out-of-School Time Technical Assistance Project

This tool is part of a series of technical assistance resources on financing and sustaining out-of-school time and community school initiatives developed by The Finance Project with support from the Wallace-Reader's Digest Funds. These tools and resources are intended to assist policy makers, program developers and community leaders in developing financing and sustainability strategies to support effective out-of-school time and community school initiatives.



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