

Chatham County Schools

CHARTER SCHOOL REIMBURSEMENT REQUEST

Agenda

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- Questions?

Background

- By statute, the local education agency (or LEA), is required to send an amount equal to the average per pupil share of the local current expense fund of the local school administrative unit for the fiscal year.
- Beginning with the FY2024 Budget, the school system began requesting a “Charter School Transfer” separately from the other current expense (operations) items in their annual operating budget request
- While Chatham County Schools (CCS) breaks Teacher Supplement out and it is shown separately in our budget documents, for state reporting purposes those funds are also considered current expense items.
- CCS utilizes state projections as well as their internal estimates to attempt to determine the amount/percentage of Chatham students that will attend charter schools. This calculation is the basis of the “Charter School Transfer” request.

Chatham County Schools Request

- Chatham County Schools has requested that the County/Board of Commissioners provide a reimbursement for the underfunding of the Charter School Transfer amount.
- The cost overages were borne by the CCS undesignated fund balance due to actual charter school enrollment exceeding budget projections.
- The total requested reimbursement amount (for all 3 fiscal years in question) is:

\$1,423,575.77

Chatham County Schools Request

Fiscal Year	CCS ADM	Charter Enrollment	Actual %	% Requested	Per Pupil Paid	CCS Budgeted	County Budgeted	CCS Actual	Variance
22-23	8,904	1,198	11.88%	0%	\$3,876.08	\$4,300,000	\$4,300,000	\$4,678,078.75	\$378,078.75
23-24	8,845	1,226	12.37%	11.5%	\$4,380.42	\$5,100,000	\$4,815,200	\$5,473,752.07	\$373,752.07
24-25	8,757	1,273	12.77%	12%	\$4,870.09	\$5,567,000	\$5,115,200	\$6,238,744.95	\$671,744.95
25-26	8,667	1,278	12.80%	12%	\$5,208.26	\$6,240,000	\$5,405,000	--	--
Total Variance FY23-25									\$1,423,575.77

Additional Information

- Per the FY2025 audit, CCS has a negative local current expense fund balance. The \$1.3 million projected to carry forward into FY2026 was fully utilized to cover unanticipated charter school payment obligations, an implementation gap in year one Unified Stipend Program payments, and fund the continuation of free meals for all students at non-CEP eligible schools.
- The district has implemented several measures to begin restoring reserves:
 - Adopting a 75%/25% budgeting strategy for non-salary allocations
 - Eliminating 11 district-level positions
 - Since initial presentation several more positions have become vacant and are not being filled (but not eliminated at this time)
 - Reducing travel, professional development, and other operational costs
- The FY2026 CCS budget includes a \$1.7 million expenditure reduction to offset the prior-year use of fund balance.
 - This reduction was done as part of the CCS FY2026 Original Budget resolution, which took place after the County's budget was passed.

Additional Information continued...

- Based on current data, the district's anticipated total charter school transfer cost for FY2026 is \$6,780,510
- CCS requested (and the County funded) \$6,240,000 in charter school transfer funds, meaning that the FY2026 budget will have an estimated shortfall of **\$540,510**. This amount has not been finalized and is not being requested for reimbursement at this time.
- This represents 1,301 students enrolled in 25 charter schools serving Chatham County. These figures are subject to change as NCDPI certifies final ADM counts.
- CCS staff have confirmed (per discussions with the Senior Director of the Office of School Business Services at NCDPI) that the reimbursement request is **NOT** subject to an additional charter school transfer.
 - These funds are a reimbursement for prior-year expenses already paid from the district's fund balance, and charter schools have already received their proportional share through those previous disbursements.

Mitigation Strategies for Future Years

- **Mid-Year (January) Reconciliation Process**

- Conduct a formal mid-year review of charter transfer projections.

- **Quarterly Financial Check-Ins**

- Continue quarterly collaboration between CCS Finance and the County Manager's Office.

- **Local Contingency Line**

- Maintain a contingency allocation within the local current expense fund.

- **Conservative Budgeting Approach**

- Overestimate the percentage of charter school enrollment in the annual funding request and reconcile differences once actual figures are certified.

- **Charter School Contingency Fund**

- Establish a dedicated Charter School Contingency Fund to address annual over- and under-estimates.

County Fund Balance

- Staff recommended a delay on any action until the FY2025 financial audit was completed and there was a better understanding of the County's fund balance picture.
- County fund balance policy states: "The county shall maintain unassigned fund balance in its general fund equal to 20 percent of the previous annual operating budget in order to meet emergency obligations, avoid interruptions in cash flow, generate interest income, and maintain an investment-grade bond rating"
- Additionally, the County fund balance policy also discusses how unassigned fund balance in excess of the policy should be utilized: "Upon completion of the annual audit of County finances, any unassigned fund balance above 22% will be transferred to the Capital Reserve Fund. The Capital Reserve Fund shall be used for one-time capital expenditures. The fund may also be used for prepayment of debt, upon recommendation by the County Finance Officer, to reduce the county's outstanding debt or to pay down debt with high interest rates.

County Fund Balance cont'd...

- Per the FY2025 annual financial report (audit), the County has approximately \$3.8 million in unassigned fund balance above the 22% (as detailed in the previous slide).
- County Finance staff intend to bring a proposed budget amendment to the Board of Commissioners to transfer this amount from the General Fund fund balance to the Capital Reserve Fund fund balance.
 - Budget amendment will likely come before the BOC in May or June as a caution against (large) unexpected unbudgeted costs.
- There are sufficient funds available to fund the reimbursement request from Chatham County Schools and still allow the County to contribute some funding towards the Capital Reserve Fund (approximately \$2.4 million).
 - Significant (planned) pressures on the Capital Reserve Fund in future years – additional contributions will help to minimize “spikes” in operating budget contributions.

Chatham County Schools Request

- The total requested reimbursement amount (for all 3 fiscal years in question) is:

\$1,423,575.77

- In order to continue operating with minimal disruptions, and to resolve the matter before FY2027 budget discussions get fully underway in order “to ensure clarity between past obligations and future appropriations”, Chatham County Schools in requesting the reimbursement in FY2026.
- If the Board of Commissioners wish to move forward with this request, we will need Board action to instruct staff.
 - Draft/Proposed language for a motion is included on the next slide.

Draft Language for Motion

“Move to provide a one-time reimbursement payment of \$1,423,576 for prior-year expenses already paid from the Chatham County School’s district’s fund balance, which will reimburse Chatham County Schools for previous disbursements to charter schools, which have already received their proportional share.”

*This draft language is included to make certain that we are exceedingly clear that this is a reimbursement for previous expenses paid and NOT an additional appropriation.

Questions?
