

Chatham County Schools

CHARTER SCHOOL REIMBURSEMENT REQUEST

Agenda

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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:

\$1,423,575.81

Chatham County Schools Request

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Additional Information

- Per the FY2025 audit, CCS has no available fund balance. The \$1.3 million projected to carry forward into FY2026 was fully utilized to cover unanticipated charter school payment obligations 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
 - 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.

Additional Information continued...

- Based on current data, the district's anticipated total charter school transfer cost for FY2026 is \$6,656,159.40
- 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 **\$416,159.40**. This amount has not been finalized and is not being requested for reimbursement at this time.
- This represents 1,278 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.

Staff Recommendation

- Staff recommend taking no action at this time, as the County's FY2025 year-end audit has not yet been completed.
- Once the Board of Commissioners receives the FY2025 audit, staff will have a more thorough understanding of the County's financial situation and our ability to address this request.
- The Board of Education has requested this matter be resolved prior to the FY2027 budget discussion/preparation process "to ensure clarity between past obligations and future appropriations"; however, given the delay with the County's audit, that appears highly unlikely.
- Ultimately, this is a Board decision, and we will need guidance from you on how to proceed.

Questions?
