

Categories Covered by 2010 Charter School Amendments

The following categories were allowed to be placed in Fund 8 and why:

Reimbursements: Reimbursements are for payments already made by the school district. The removal of reimbursements would mean that funds for the following programs would be shared: Medicaid Administrative Claiming and Fee for Service –both of which are Medicaid programs for identification and actual services to students. It would also include indirect cost reimbursements for Free and Reduced Lunch Programs. There are others that are more LEA specific.

Fees for Actual Costs: Many school districts want to be good community partners and thus rent their facilities out to churches, community colleges, and other groups. LEAs charge rent to cover the actual costs (utilities, cleaning, etc.) and to compensate for wear and tear incurred on the property. LEAs do not make a profit on these rentals but merely try to cover their costs. In many instances, however, a loss is already occurring. This may force many LEAs to suspend use of their facilities by outside groups. Is this good for our communities?

Tuition: Tuition may be charged for individual students' summer school, after school care, and out of unit enrollment.

Sales tax revenues distributed using the ad valorem method: These funds go to LEAs where the sales tax is distributed this way and the LEA has a supplemental tax that was approved by the voters of the district. These funds should remain with the facilities within the taxing district.

Sales tax refunds: While charter schools receive a full state and local sales tax refund, LEAs are already at a significant disadvantage in that they only receive the local sales tax refund.

Gifts and grants restricted as to use: This would also include funds from PTAs, band boosters and other parental/community groups that are involved to support individual schools.

Federal appropriations made directly to LEAs: There are federal programs, like ROTC, that are not “federal grants” and flow directly to the LEAs and are not captured in Fund 3.

Pre-K funds: These funds, consisting of NC Pre-K dollars and Smart Start dollars, are restricted in their use to children below kindergarten. If these funds were added to the formula it would divert general operating revenues to cover these funds and thus lower the per pupil allocation for the regular K-12 students in the LEAs. This issue is especially pronounced in the LEAs that act as the fiscal agent for the entire county program instead of the Partnership for Children. In these instances the funds pass through the LEA to private providers and would also have to be shared. Many districts would face the difficult choice of eliminating Pre-K programs if these funds have to be shared. This could also have serious implications in the State's compliance with the Pre-K remedy in the *Leandro* lawsuit.

Other non-Fund 8 categories covered by the 2010 amendment that LEAs do not have to share with charters

Fund balance: The monies that create the fund balance have already been shared in previous years with the charter school when the funds were originally appropriated. If this is struck charter schools would be double dipping. A fund balance is necessary for both unforeseen circumstances and for cash flow because numerous funding sources reimburse school boards for expenditures after-the-fact.

Interest earned: These are monies earned on individual LEA investments.

Both of these categories encourage LEAs to be stronger stewards of public dollars.

2015 Proposed Legislation

[HB 557](#) has been introduced by Representatives Yarborough and Stam.

The bill would require that school districts **share all the funds mentioned above** except for:

1. Pre-K funds
2. ROTC funds
3. “if necessary to comply with a requirement by a donor of a gift or grant that the local school administrative unit use a separate fund to account for trust funds and federal grants restricted as to use”

It is clear what 1 and 2 are covering. The terminology in 3 is problematic. Donors typically restrict the use of funds and may require a compliance report but they rarely, if ever, instruct a receiving entity to set up a separate internal fund. This would lead to a great deal of bureaucratic red tape. Additionally, it is unclear as to whether the sponsors meant at the end of 3 for federal grants to be required by the federal government to be accounted in a separate internal account or whether this should be a separate (4).

The language in HB 557 governing the sharing of “fund balance used or accrued” is also problematic. How the word “accrued” is not defined and will lead to more litigation. Also, when fund balance is “used,” the charter schools would get a second allocation of funds for which they already have received their proportionate allocation.

Section 2 of the bill changes the language governing the sharing of supplemental taxes. After the Court of Appeals decision in the *Delaney* case, the General Assembly modified the statute to reflect that the supplemental tax was to only be shared with charter schools when a student that otherwise would have attended the district that has the supplemental tax attended a charter schools within the taxing jurisdiction of the supplemental tax. Supplemental taxes by statute are to operate schools in the tax district at a higher level. Supplemental tax money does not follow the student if the student goes to a traditional public school outside the tax district.