

The categories that [Senate Bill 350](#) would eliminate include the following:

1. Reimbursements, including indirect costs: Reimbursements are when school districts expend funds and are then reimbursed for the actual costs in whole or in part. If these funds were shared, the actual cost would not be fully covered, resulting in a net loss. Reimbursements include programs like the federal child nutrition program. Indirect costs are charges allowed under federal programs like the child nutrition program or the career technical education program (formerly “vocational education”) to cover utilities (lights, refrigeration, gas, or electricity for cooking) and other expenditures that cannot be separated out from the cost or the employee’s other duties. The federal government sets guidelines on how these indirect costs can be charged, therefore, traditional public schools are not “padding” such costs to avoid sharing. Not sharing these funds is 100% equitable because charter schools are free to participate in many of these same programs, like the federal child nutrition program, and receive the same reimbursements that LEAs receive.
2. Fees for actual costs: Fees for actual costs are very similar to reimbursements but are an upfront fee as opposed to a reimbursement for the actual expenditure. These are collected for such things as facility rentals to community or local sports activities so that utilities, janitorial services, and insurance are paid for. Another example is activity or charter bus fees for field trips. Not sharing these funds is equitable because they are related to the cost of the school opening its doors to the community, and charter schools are authorized to charge the same fees as the LEA in which they are located.
3. Tuition: Tuition is charged in primarily two circumstances. The first is for programs offered by the school system outside of the normal school day. This would include before and after care and some summer school programs. The amount that school districts charge covers the cost of the program that is not funded by another entity. If these funds had to be shared, school districts would be in the red and would have to consider eliminating the programs since there would be no way to cover the costs associated with them. Here again, charter schools are free to collect tuition if they choose to offer day care or after-school-care to the community.

The second instance is when an out-of-district child is admitted to the LEA. The LEA is only allowed to charge tuition up to an equivalent per pupil amount that the county appropriates for students. Parents, not the county commissioners, pay tuition to cover the extra cost of adding an out-of-district student. LEAs have already shared with charter schools the per pupil amount from the county commissioners, and the LEA does NOT get extra funds from the County when it admits an out-of-county student.

4. Sales tax revenues distributed using the ad valorem method pursuant to G.S. 105-472(b)(2): These funds only exist in a subset of the 15 LEAs that have supplemental property taxes. These 15 LEAs are considered taxing jurisdictions for sales tax. Counties that distribute their sales tax based on the ad valorem method are required to distribute a residual amount to all taxing entities in the county. As for the supplemental property tax itself, it would be a constitutional violation to share these funds with a

charter school that is **physically located outside the taxing jurisdiction** of the supplemental property tax, since the supplemental property tax is the reason the LEA is receiving the funds.

5. Sales tax refunds: Charter schools, as 501(c)(3) nonprofit organizations, are already entitled to a complete sales tax refund on their purchases. LEA's only receive the local portion of the refund.
6. Gifts and grants restricted as to use: This category includes any restricted gift or grant to a school or the LEA. These include PTA funds, band booster funds, and specific grants for a multitude of programs throughout school districts. Charter schools also apply and receive their own gifts or grants but have no obligation to share any of those proceeds. Because these are limited to those "restricted as to use", the LEA would not be allowed under the terms of the gift or grant to potentially share these with a charter school, meaning the LEA would have to use other funds to "share." Obviously, this would result in a net loss of funds to the traditional public school. Gifts not "restricted as to use" are shared, since the money can benefit all students.
7. Federal appropriations made directly to LEAs: These are funds for programs at the federal level that schools have applied to participate in. Examples of these include ROTC and Impact Aid. Specifically, if a charter school wants to participate in ROTC they can apply for that program directly. Impact Aid for military students has extremely strict reporting and threshold requirements for the number of students of military that must be in the schools. Impact Aid for federal lands are monies provided for federal land that is not subject to property taxes.
8. Municipal appropriations made directly to LEAs under G.S. 160A-700: These are for specific projects that a municipality has chosen to fund. Charter schools are already allowed under the statute to request and be granted funds directly from municipalities for programs, etc. in their schools. They have the exact same opportunity as an LEA to ask and be granted. Note: This is a new statute and we are not personally aware of any municipalities appropriating money under this authority to LEAs or charters.
9. Funds received for Pre-K programs: These funds are restricted and used for students below kindergarten. Charter schools would also receive these funds if they elected to educate this age group. School districts are not allowed to share these funding pots and thus would have to share a disproportionate share of local funds from the county commissioners. School districts are already having to supplement the funds that come from the State for NC Pre-K. Additional erosion of local funds could put existing and any expansion efforts to educate this age group in jeopardy.
10. Appropriation or use of fund balance or interest income: Charter schools already receive a portion of funds going into public school accounts. Any "savings" or interest realized by the LEA after the money is shared is not then "shared" again. As these funds are

spent down, charter schools would receive another portion of these same funds. This would give charter schools two bites off the same apple. It would also undermine any policy to encourage savings versus spending. Interest income is money that the school system generates by investing dollars while they are waiting for expenditure. Charter schools can already generate their own interest income. Finally, when charter schools save money and receive interest, those funds are never “shared” with the traditional public schools serving the same community.

In addition, many charter schools are funded by outside organizations, and these funds are never shared with traditional public schools serving the same populations. In some counties the large percentage of students attending charter schools makes this a serious issue. In short, charter schools are no longer small, experimental schools. The exceptions above are vital because they are equitable and because charter schools, some of them very well-funded, share 0% of their funding with traditional public schools in their region. Finally, please note that “sharing funds” under the law means that a proportionate, per pupil amount must be given to the charter school even when the actual funds cannot be shared. Since sources including restricted gifts discussed cannot be shared directly with a charter school due to legal restrictions, LEAs would have to use even more of the allocation from the local County Commissioners in order to “share”. Fund 8 was carefully considered to ensure that funds equitably “follow the child” such that traditional public schools did not suffer a net loss. Following years of litigation and controversy generated by unclear statutory funding provisions, the current Fund 8 as set-out in G.S. 115C-426(c) is fair, equitable, and keeps charter schools and traditional public schools out of court.