

Chicago Public Schools Office of Portfolio Management

Chicago Board of Education February 27, 2025 Board Meeting Presentation

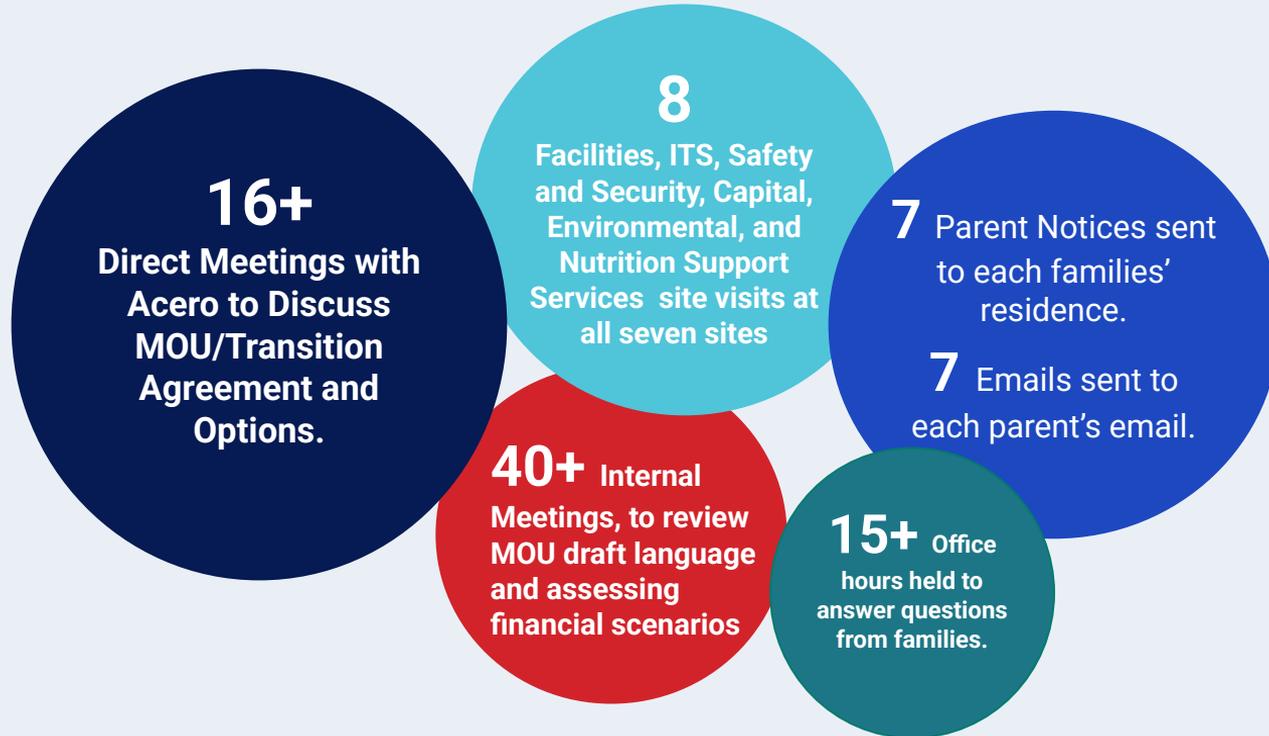
Acero Charter School MOU/Transition Plan Update



December 20th Board Resolution

- “...Create a detailed plan to transition the following Acero Schools into District run schools beginning in the 2026-2027 school year (five schools were listed).”
- “The Board directs the District staff to work on any needed Memorandum of Understanding with Acero to cover the deficit to operate the seven (7) campuses for the 2025-2026 school year.”
- “...Additionally, the Paz and Cruz campuses will be evaluated by CPS for viability to become District-run schools.”
- “Acero’s cooperation in these matters may be considered in whether to renew Acero's Charter Agreement for another term.”

Negotiation Actions



Disclaimer

- The district does not have legal grounds to force Acero to keep any of the 7 campuses open.
- The following scenarios use calculations that are based on the assumption that enrollment is stable, as projected by Acero, and reasonable based on our historical data.
- The scenarios assume that Acero will be able to receive a one-year lease renewal/extension with each of the respective property owners to cover the 2025-26 school year.
 - Acero has received a verbal estimate of a 3% increase in lease payments from their respective owners for the 2025-26 school year, which is included in the calculation.

These scenarios are exclusively for the 2025-2026 school year

Negotiation Parameters

- Illinois **Charter Schools Law** states “in no event shall the **funding be less than 97% or more than 103%** of the school **district’s per capita student tuition multiplied by the number of students residing in the district** who are **enrolled in the charter school** (105 ILCS 5/27A-11(b)).” This rate, referred to as **PCTC**, represents the **amount of money CPS spends on each student**. The projected PCTC rate for FY26 at 97% is \$18,127.91. The maximum amount that we can fund charter schools at is \$19,383.25, which is 103% of the projected PCTC rate (105 ILCS 5/27A-11(b)).
- To assist with **covering the deficit**, the proposed **model funds all Acero campuses (including the unaffected 8)** at the **maximum amount** allowed by state law (**103% of PCTC**).
- The surplus required to operate the campuses must be enough to cover capital expenses for next year, **and** provide a “buffer” to cover any enrollment losses as we expect some families may leave the Acero campuses.

Addressing December 20th Resolution

Keeping **ALL seven (7)** campuses open:

- After accounting for a maximum revenue at the 103% PCTC, the surplus (after calculating revenues and expenses) for this scenario is around \$2.3M
- The CPS facilities team estimates that we will conservatively need at minimum \$4.1M in capital expenses to keep all seven campuses open. All of this funding is to cover CapEx at Cisneros, specifically to address Mechanical, Electrical, and Plumbing needs (replacing two steam boilers).
- This will create a deficit of at minimum \$1.8M. Any funds provided to Acero to cover the remaining deficit would exceed the 103% statutory cap. This projection doesn't account for potential unexpected capital expenses or revenue losses from enrollment declines beyond those currently projected, which could increase the deficit.
- Therefore, in order to operate the seven campuses the district may have to provide funding above the 103% PCTC, which violates state law.

As a result, the option of operating the seven campuses may not be feasible, because the risk of exceeding the statutory cap is extremely high

Options Explored - Highest Risk

Keeping **SIX (6)** campuses open (Cruz, Cisneros, Casas, Fuentes, Santiago, Tamayo):

- After accounting for a maximum revenue at the 103% PCTC, the surplus for this scenario is around \$3.2M.
- The CPS facilities team estimates that we will need at minimum \$4.1M in capital expenses to keep all campuses open.
- This will create a deficit of at least \$0.9M. Any money provided to Acero to cover the remaining deficit would exceed the 103% statutory cap. This projection doesn't account for potential unexpected capital expenses or revenue losses from enrollment declines beyond those currently projected, which could increase the deficit.
- Therefore, in order to operate the six campuses the district may have to provide funding above the 103% PCTC, which violates state law.

As a result, the option of operating the seven campuses may not be feasible, because the risk of exceeding the statutory cap is extremely high

Options Explored - Feasible with Higher Risks

Keeping **FIVE (5)** campuses open (Cisneros, Casas, Fuentes, Santiago, Tamayo):

- After accounting for a maximum revenue at the 103% PCTC, the surplus for this scenario is around \$3.9M.
- The CPS facilities team estimates that we will need at minimum \$4.1M in capital expenses to keep all campuses open.
- This will create a deficit of at least \$0.2M. Any money provided to Acero to cover the remaining deficit would exceed the 103% statutory cap. This projection doesn't account for potential unexpected capital expenses or revenue losses from enrollment declines beyond those currently projected, which could increase the deficit.
- Therefore, in order to operate the five campuses the district may have to provide funding above the 103% PCTC, which violates state law.
- As a result, the option of operating the five campuses could be viable, but *may open the district to unexpected liabilities as there will not be enough funding to operate these facilities without exceeding the state cap.*

Viable Options – Feasible with Lower Risks

Keeping **FOUR (4)** campuses open (Casas, Fuentes, Santiago, Tamayo):

- After accounting for a maximum revenue at the 103% PCTC, the surplus for this scenario is around \$3.3M.
- Since the facilities with the highest needs are removed from this scenario, the capital expense projections are minimal for these four campuses.
- In this scenario, we project to have enough funding to cover any unexpected capital expenses, and any potential enrollment losses beyond those currently projected.
- We anticipate staying within the cap permitted by the law in this scenario.
- As a result, this option is viable as long as the capital expenses and the enrollment losses do not exceed \$3.3M.

Note: Keeping three (3) or two (2) campuses open are also feasible options with lower risks

* These scenarios are exclusively for the 2025-2026 school year

- **Funding Demands:** As shared, state law (105 ILCS 5/27A-11(b)), prohibits local school boards from funding schools at a rate beyond 103%. CPS can not legally agree to waive the statutory PCTC cap.
- **Enrollment Decline:** The scenarios that we just discussed assume that enrollment projections will stay stable. However, in the event of continued enrollment decline, Acero expects that CPS will cover the resulting deficit which will potentially put us above the 103% threshold.
- **Capital Expenditures:** Acero expects CPS to assume responsibility for capital expenses related to maintaining warm, safe, and dry conditions. Acero agrees that any capital expenses at the affected campuses would not occur without CPS approval.
- **District Funding:** Funding the Acero network at the maximum allowable funding level under state law will cost \$6M to \$7M above regular funding levels and add to the already significant District deficit for FY2026.

Next Steps

- If the Board approves any of the options presented, we will finalize the Memorandum of Understanding (MOU) with Acero. **It is important to emphasize that the district will be responsible for covering any deficits that may arise from additional capital expenses and/or enrollment losses.** The agreement will proceed once Acero approves the MOU.
- We will start the transition plan for the schools slated to close on June 30, 2025, prioritizing communication with impacted families (see next slide)

Family Engagement Next Steps

- **Phase I:** Modified Resolution Outreach, Immediate Post-Negotiation (Early March)
- **Phase II:** Transition Support to Identify a School for Each Student (March - April)
This phase will involve identifying available charter and district-managed schools for placement, hosting informational meetings, and starting individual needs assessments for families.
- **Phase III:** Targeted Support, Engagement and Feedback to support transition to new school (May - August)
This phase will involve student placement, school fairs, providing individualized support to families, and organizing orientation programs with the receiving schools.





Chicago Public Schools