



Chicago Public Schools

Office of Portfolio Management

Chicago Board of Education October ARC Meeting 10/8/25

Updates from the Office of Innovation and
Incubation

Agenda Items #14 and #15

The Urgent Realities Facing Charter Operations

This presentation addresses the growing challenges within our charter school portfolio, focusing on **financial instability**, **declining enrollment**, and the **operational complexities of charter school transitions**.

We will review two distinct scenarios - Epic Academy and ChiArts.

Our recommendations are grounded in a thorough analysis of the legal, financial, and operational realities we face, while balancing our unwavering commitment to every student and family with the fiscal responsibility required to sustain the District.

Charter Schools and the Legal Framework

Charter schools operate under fundamentally different structures that are independent of district-managed schools. It is practically and operationally not possible to "absorb" a charter school as a "whole" into the CPS portfolio.

The process is a **dissolution** of the charter entity (governed by **Article 27A** of the Illinois School Code) and the **creation** of a new district-managed school (governed by **Article 34**).

This is due to fundamental conflicts in:

- **Governing Laws:** Charter schools have legal autonomy and exemptions from most of the Illinois School Code.
- **Staffing:** CPS has strict licensure, residency, and collective bargaining agreements that do not apply to charter schools.
- **Governance:** Charter schools are run by independent non-profit boards; a transition dissolves this structure and brings the school under the complete oversight of the Chicago Board of Education.

Updates on EPIC Academy HS and Recommendations for Board approval

Renewal Based on FY23–FY24 Stability, Now Facing FY25 Deficit Risk

FY24 Looked Stable

- Hold Harmless approach funded at 324 students vs 270
- \$300K ESSER support
- Met FY23 and FY24 Financial Accountability metrics based on retroactive, audited figures
- Initial FY25 budget projected an operational deficit, but still had an EOY fund balance of \$1.06M

FY25+ Projected Risks

- Projected FY25 EOY fund balance of \$1.06M actualized to \$220k by the end of Q4
- Operating deficit projected
- Declining enrollment trend
- Continued investment into new facility project
- Loss of Hold Harmless in FY26

Unrealized Strategies

- Property sale (~\$2M) not closed
- Merger attempt unsuccessful
- \$2M grants delayed

Updates on EPIC Academy HS and Recommendation for Board approval

Recommendation & Rationale

OPM Recommendation:

- The Board provides temporary financial support to ensure the school can finish operation through the 2025-2026 school year.
- That the Board not take actions to transition Epic Academy into a district-managed school, proceed with a structured winddown, and transition students into other district-managed/charter schools.

Updates on ChiArts HS and Recommendations for Board approval

A Specialized Model, Not Sustainable As Is

- ChiArts is not financially viable and faces a projected deficit of over \$1 million with no financial reserves.
- While the district has provided \$1.4M in temporary relief for **SY2026**, there is no secured financial relief for SY2027.
- While our internal feasibility assessment does not recommend converting ChiArts into a CPS district-run school due to financial and operational challenges, **the option of transitioning the school to full district management is still possible**, but needs to be carefully considered as it will **require an additional financial commitment** from the district.

Updates on ChiArts HS and Recommendation for Board approval

Recommendation & Rationale

OPM and Department of Arts Recommendation: (Forecasted Cost: \$7.3M) + \$2.5M yearly investment post transition.

- Initiate Incubation and transition to fully district-managed for FY27
- Transitioning ChiArts into a CPS-operated Fine & Performing Arts high school, aligning it with district standards,
- Citywide Conservatory managed by the Department of Arts Education

Recommendations for Board Consideration & Action

Updates on EPIC Academy HS and Recommendations for Board approval

- Approve temporary financial assistance to prevent an abrupt closure.
- Accept the recommendation to **not transition** Epic Academy into a district-managed school, proceed with a structured wind-down, and transition the students into other district-managed/charter schools.

Updates on ChiArts HS and Recommendations for Board approval (Forecasted TOTAL Cost: \$7.3M)

- Initiate Incubation and Transition to fully District managed: (Forecasted Cost: \$5.8M)
- Conservatory - citywide (\$2.5M recurring yearly investment)







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