

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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**HOUSE BILL 584  
PROPOSED COMMITTEE SUBSTITUTE H584-PCS50535-TC-15**

Short Title: School Funding Flexibility/Pilot Program.

(Public)

Sponsors:

Referred to:

March 16, 2009

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH THE SCHOOL FUNDING FLEXIBILITY PILOT PROGRAM.

The General Assembly of North Carolina enacts:

**SECTION 1.** Pilot Overview. The State Board of Education shall establish the School Funding Flexibility Pilot Program in 10 local school administrative units.

**SECTION 2.(a)** Selecting Pilot Districts. The State Board, with the assistance of the Department of Public Instruction, shall identify a pilot pool of 20 local school administrative units that are considered high performing based on a composite score that takes into account, at a minimum, the following criteria:

- (1) Composite test scores in end-of-grade and end-of-course tests, weighted to take into account demographic factors;
- (2) Schools making average yearly progress, as defined by the No Child Left Behind Act of 2001;
- (3) High school cohort graduation rate;
- (4) Percentage of local funds spent on noninstructional support positions;
- (5) Minimal audit exceptions; and
- (6) Teacher turnover.

**SECTION 2.(b)** Upon identifying the pilot pool, the State Board shall select 10 local school administrative units to serve as the pilot units; the remainder shall serve as the control units. The State Board shall select local administrative units from the pilot pool in a manner that maximizes the potential for effective evaluations by minimizing differences between pilot units and control units across demographic measures and the criteria listed above.

The State Board shall identify and notify the pilot units and control units no later than December 31, 2009.

**SECTION 3.** Expenditures in Pilot and Control Districts. Notwithstanding G.S. 115C-105.25 and except as otherwise required by federal law or the conditions of federal grants, pilot units shall be allowed to spend State funds without limitation for any lawful purpose during the 2010-2011 fiscal year and the 2011-2012 fiscal year. Pilot units shall continue to pay employees no less than required by the existing salary schedules. At the end of each fiscal year, each pilot unit shall revert a percentage of its General Fund appropriation that is greater than or equal to the average percentage the unit reverted over the prior three fiscal years.

Control units shall continue to spend State funds as provided by law.



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1           **SECTION 4.(a)** Evaluation and Reporting. There is appropriated from the General  
2 Fund to the Department of Public Instruction the sum of one hundred fifty thousand dollars  
3 (\$150,000) for the 2010-2011 fiscal year to contract with an independent research organization  
4 to evaluate whether and to what extent this pilot program improved student performance in the  
5 pilot units, using either a randomized controlled trial or matched-groups evaluation design.

6           **SECTION 4.(b)** If at the end of the 2011-2012 school year, the State Board finds  
7 that there has been an increase in academic performance in a pilot unit due to its participation  
8 in the pilot program, that unit may continue to participate in the pilot program during the  
9 2012-2013 and 2013-2014 fiscal years.

10          **SECTION 5.** The State Board shall report annually to the Joint Legislative  
11 Education Oversight Committee by December 15 on the impact of funding flexibility in the  
12 pilot units. The State Board shall make a final report by December 15, 2014.

13          **SECTION 6.** This act becomes effective July 1, 2009.