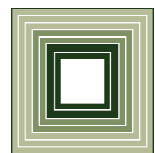


ABC Bonuses

Kristopher Nordstrom – Fiscal Research Division

December 2, 2008



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

What are the ABCs?

- School accountability program
 - K-8: End of Grade Tests
 - 9-12: End of Course Tests

- Schools meeting performance goals
 - Monetary bonuses to eligible personnel

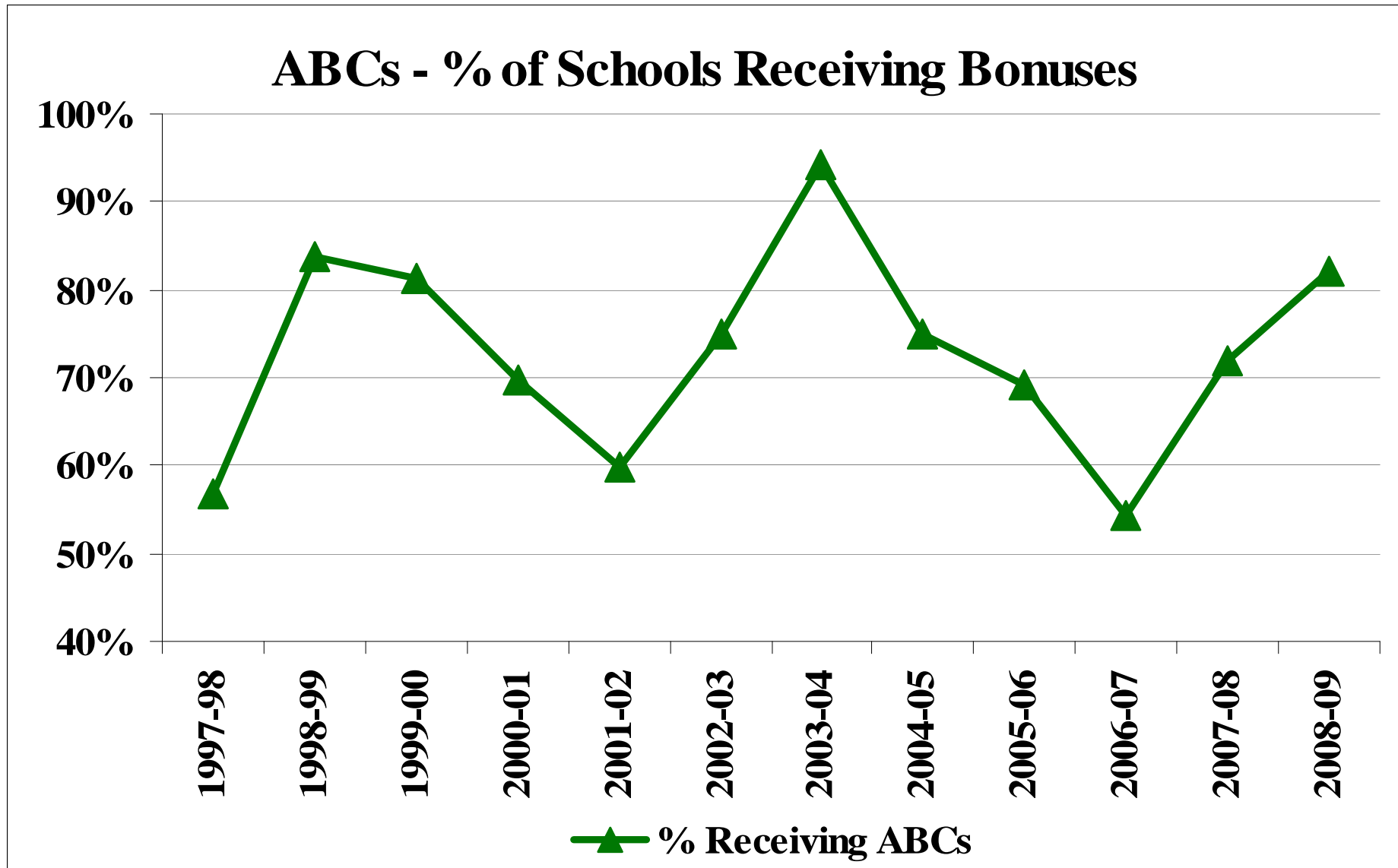
| School Designation | Position Type | Max. Bonus |
|--------------------|--------------------|------------|
| High Growth | Certified Staff | \$1,500 |
| | Teacher Assistants | \$500 |
| Expected Growth | Certified Staff | \$750 |
| | Teacher Assistants | \$375 |

- Other recognition (e.g., “School of Excellence,” “School of Distinction,” “School of Progress,” etc.)

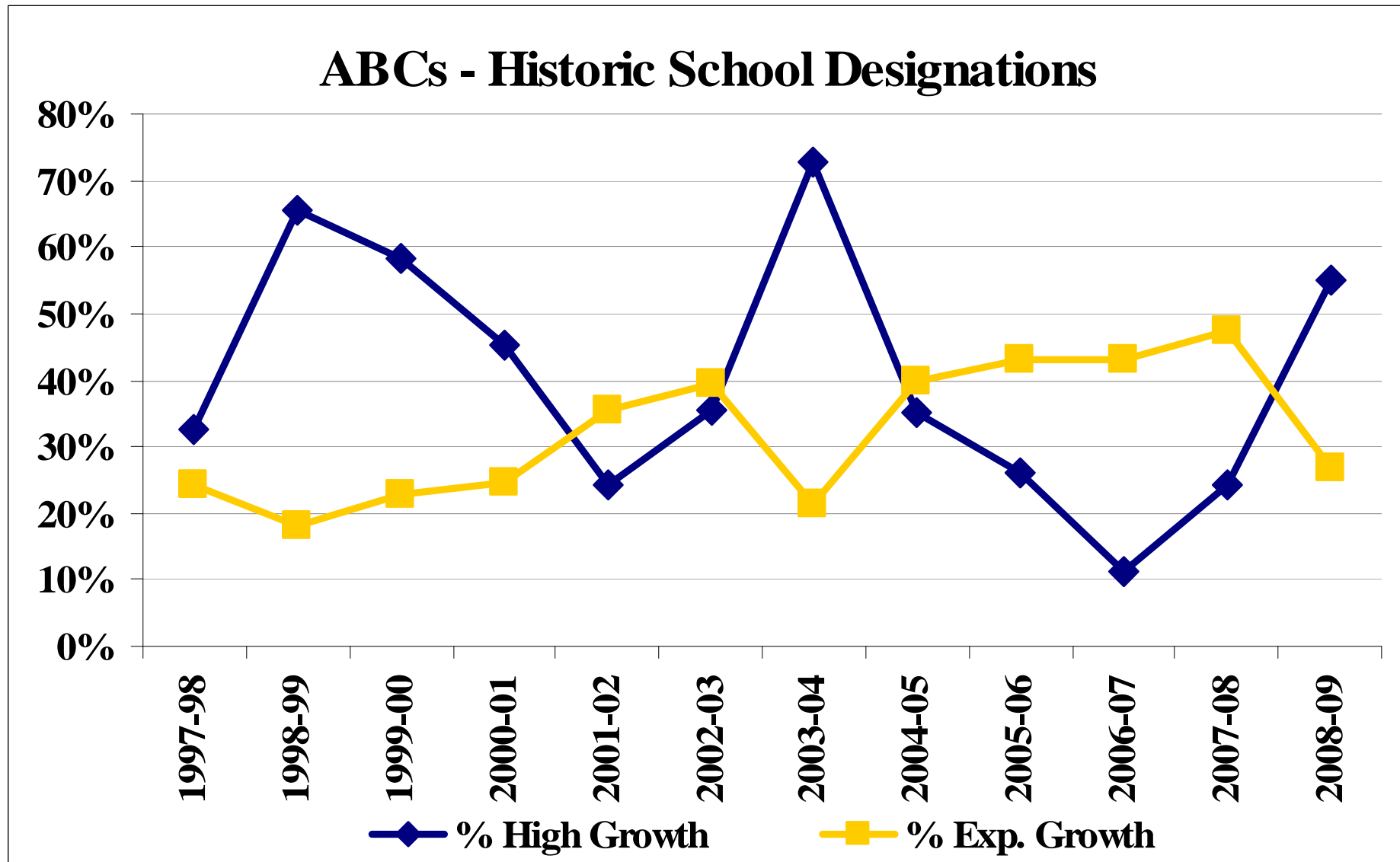
Challenges

- Budgeting ABCs is difficult
 - Budgeting process:
 - Year-to-year, nonrecurring basis
 - Results usually received after budget completion
 - Other factors:
 - Tests are changed or recalibrated
 - Formula changes
 - Student performance improves over time

Eligible Schools



Eligible Schools



Appropriations and Expenditures

| Fiscal Year | Appropriated (Budgeted) | Expenditures | % of Schools Making High Growth | % of Schools Making Exp. Growth |
|-------------|----------------------------|---------------|---------------------------------------|---------------------------------------|
| 1997-98 | \$72,400,000 | \$25,648,842 | 32.5% | 24.2% |
| 1998-99 | \$89,425,243 | \$113,580,635 | 65.5% | 18.3% |
| 1999-00 | \$118,000,000 | \$121,877,659 | 58.2% | 23.0% |
| 2000-01 | \$120,000,000 | \$100,439,954 | 45.2% | 24.6% |
| 2001-02 | \$93,100,000 | \$75,504,360 | 24.1% | 35.6% |
| 2002-03 | \$101,000,000 | \$99,760,240 | 35.5% | 39.3% |
| 2003-04 | \$96,000,000 | \$139,052,809 | 72.9% | 21.4% |
| 2004-05 | \$108,000,000 | \$100,770,053 | 35.2% | 39.9% |
| 2005-06 | \$100,000,000 | \$93,133,274 | 26.0% | 43.2% |
| 2006-07 | \$90,000,000 | \$67,264,991 | 11.2% | 43.1% |
| 2007-08 | \$70,000,000 | \$100,548,912 | 24.3% | 47.6% |
| 2008-09 | \$90,000,000 | \$94,235,612* | 55.2% | 26.8% |

* **Note:** Section 7.3 of S.L. 2008-107 limits the amount that can be expended for ABC bonuses in 2008-09 to \$94,235,612. If expenditures had not been capped and all eligible employees given the full bonus amount, expenditures would have totaled \$134.1 million.

2008 Budget Action

- 2008 Budget (S.L. 2008-107, Section 7.3)
 - Caps expenditures at \$94,325,612 (average program expenditure of last 11 years)

- State Board Response
 - Prorate individual bonuses by 70%

| School Designation | Position Type | Max. Bonus | Prorated Bonus |
|--------------------|--------------------|------------|----------------|
| High Growth | Certified Staff | \$1,500 | \$1,054 |
| | Teacher Assistants | \$500 | \$351 |
| Expected Growth | Certified Staff | \$750 | \$527 |
| | Teacher Assistants | \$375 | \$264 |

2008 Budget Action (cont.)

- Was GA obligated to provide full bonus?
 - Budget language has always authorized SBE to provide bonuses “up to” maximum amounts
- Could DPI’s 07-08 reversions cover 08-09 ABC costs?
 - Unspent money in 07-08 returned to General Fund, added to 08-09 availability
 - 08-09 availability possibly \$1.2 billion below projected amount

2008 Budget Action (cont.)

- Could DPI's 08-09 reversions cover 08-09 ABC costs?
 - \$90 million appropriation would have required \$44.1 million to be covered by reversions
 - OSBM has directed DPI to return \$117 million in 08-09
 - \$59 million projected reversions
 - \$58 million reduction in allotments to LEAs
- Why didn't GA fully fund ABCs in 08-09?
 - Decided to fund other programs