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North Carolina School Funding

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Education Commission of the States

- Founded in 1965 to enlighten, equip and engage education policy makers
- Provides nonpartisan unbiased advice to policymakers throughout the country
- 53 member states, territories and the District of Columbia
- Web Site: www.ecs.org

Presentation Overview

- What are the components of a high-quality funding system?
- How does North Carolina currently fund schools?
- Why you might want to change the state's funding formula?
- How do other states fund schools?
- What would it take to transition to a high-quality school funding formula?

High-Quality Funding Formula

- **Adequate**: Funding is sufficient to meet current state education requirements, these can include:
 - Inputs: seat time, class sizes, 1-to-1 computers
 - Outcomes: test scores graduation rates, college going
- **Equitable**:
 - All districts have access to a relatively equal level of resources
 - All students have access to relatively equal educational offerings



High-Quality Funding Formula

- **Flexible**: Districts have the ability to use their resources to meet their unique needs
- **Adaptable**: The formula can handle changes in the way that educational services are delivered with little to no adjustment



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How does North Carolina currently fund schools?



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North Carolina's Current Funding System

- The state currently uses a “position allocation” system
- Position allocation systems:
 - Provide districts with a predictable level of resources
 - Allow policymakers to see what their education dollars are buying
 - Allow for the state to control most of the education policy expenditure decisions



North Carolina's Current Funding System

- Position allocation systems:
 - Designed at a time when almost all students attended brick & mortar schools
 - Do not allow districts to easily move funding around based on the district or students' needs
 - Requires the state to constantly adjust for the non-teacher related costs of education (*Energy, M&O, supplies, technology, testing, etc.*)

North Carolina's Current Funding System

- Position allocation systems require the state to adjust the formula on a regular basis
- Every time that districts want to change the way that they deliver education services or create new services the state has to adjust its formula

Example:

Which programs would work best for at-risk students?
(Summer learning, after-school, class-size reduction)



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Why North Carolina May Wish to Change its Current Funding System

- Due to its inflexibility - position allocation systems have a difficulty adapting to new(er) education programs, such as:
 - Charter schools
 - Competency based education
 - Dual/concurrent enrollment
 - Non-traditional career and tech programs
 - Open enrollment programs
 - Student mobility during the school year



North Carolina's Current Funding System

- **Adequate**: Hard to determine
- **Equitable**: Quality counts grade – B+
- **Flexible**: The current system has limited flexibility
- **Adaptable**: The current system is not adaptable to changes in the educational environment



How do other states fund schools?

Your education policy team.



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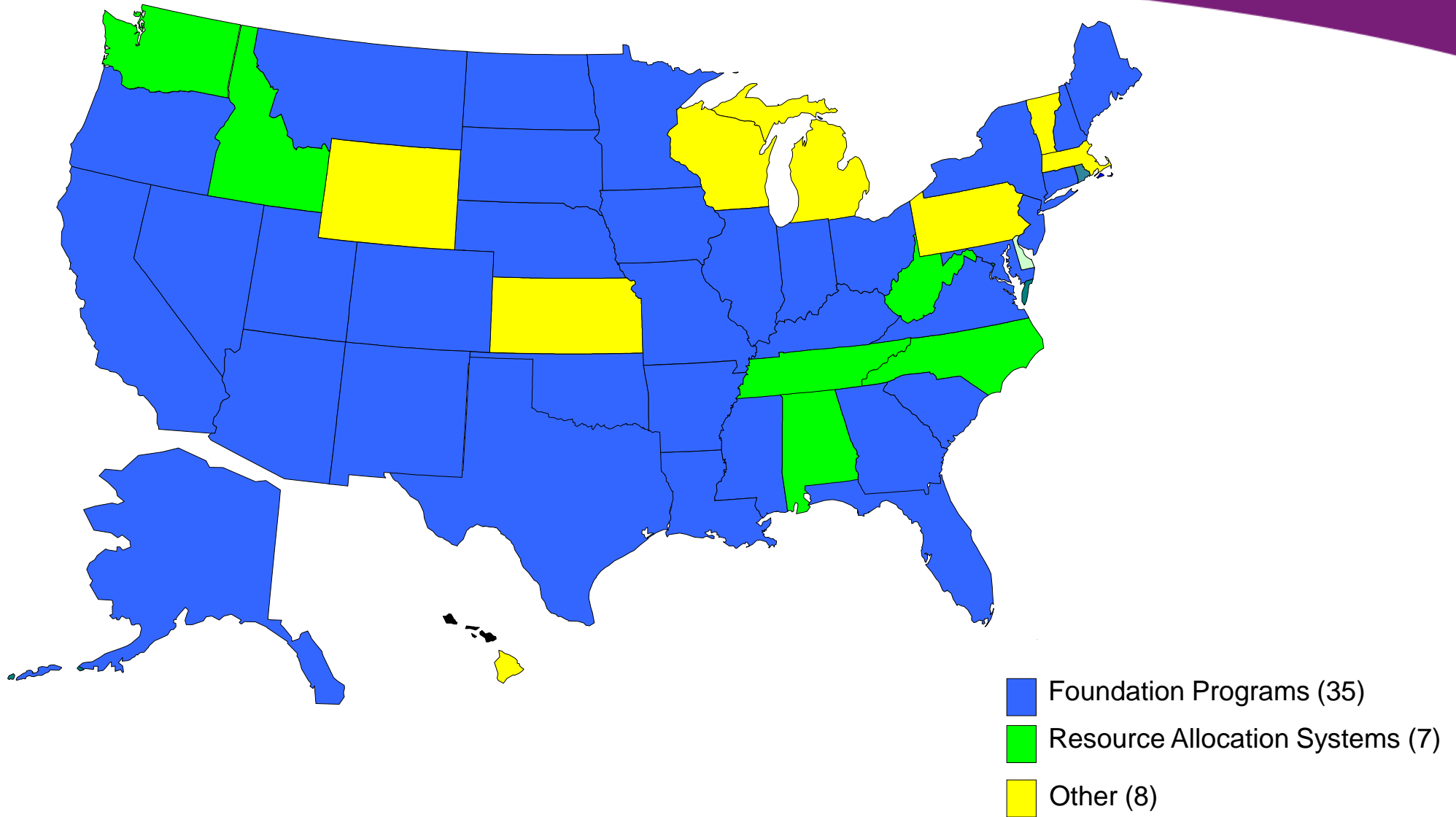
5 Generations of School Funding Formulas

- 1st Generation: Flat payment
- 2nd Generation: Take district wealth into account
- 3rd Generation: Take both relative wealth & student needs into account
- 4th Generation: 3rd gen plus provides flexibility to districts
- 5th Generation: Ensuring that the resources are targeted to the student



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School Funding Formulas in Each State



Foundation Formula (33 States)

1. Determine foundation/base amount
2. Count students with weights
3. Multiply student count by the foundation amount
4. Determine state vs. local split
5. Add on outside funding (*capital, transportation, other*)



Why do so Many States Use a Foundation Formula?

- (Relatively) Easy to establish
- Easily adjusted to meet a state's/district's educational needs and economic circumstances
- Provides districts with greater autonomy in decision making



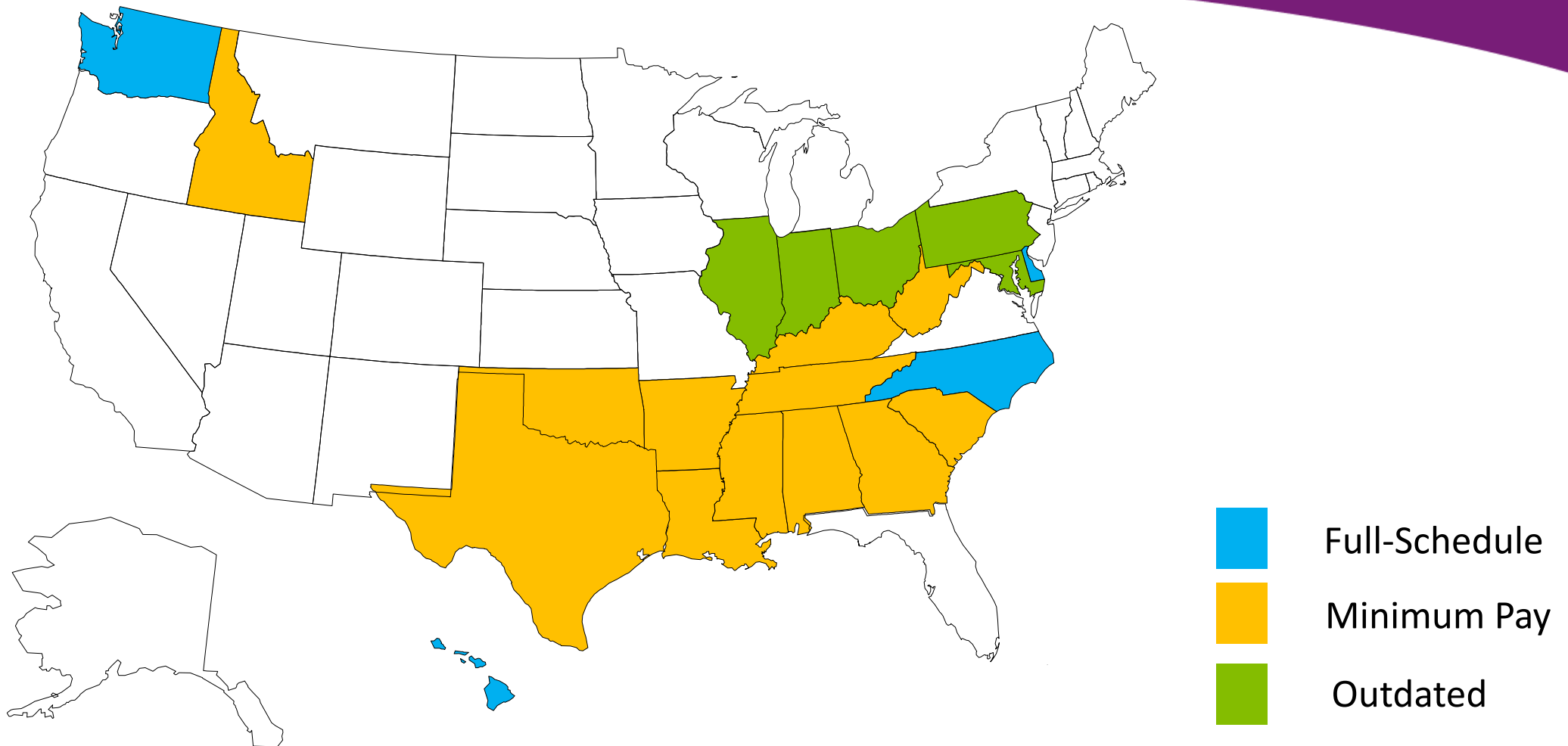
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Foundation Formulas

- These types of formulas can be adjusted to include various policy choices, such as:
 - Class size requirements
 - Teacher salary schedules
 - Targeted funding for certain programs/student groups
- The more mandates that are added the less flexibility districts will have



States With Teacher Salary Schedules



Source: ECS



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What would it take to transition to a high-quality school funding formula?



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Your education policy team.

States Adopting New Formulas

Since 2000 several states created new school funding formulas:

- *Arkansas (2002)*

Litigation

- *California (2013)*

Governor led/voter approved

- *Kansas (2014)*

First litigation then legislative led

- *Maryland (2002)*

Legislative led change

- *Ohio (2013)*

First litigation then legislative led

- *Pennsylvania (2015)*

Legislative led change

- *Rhode Island (2010)*

Legislative led change

- *Wyoming (2001)*

Litigation



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School Funding Transition Process

1. Determine what you will/won't be changing in the formula
2. Create a general outline of the new formula
3. Draft a “working” outline that includes all of the components of the new formula
4. Create the new formula and run the numbers
5. Refine the formula while constantly running numbers
6. Produce the final formula

Note: Between each step you should be receiving public input



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School Funding Transition Process

Common questions from other states:

- Will current grant programs be maintained or will they be rolled into the formula?
- Will any area of funding not be addressed in the new formula (capital, transportation, food services)?
- How will students be counted?
- Will funding be adjusted for district size, cost of doing business or geographic location?
- How will the state determine the “wealth” of a district?



Changing The State's School Funding Formula

Issues that states faced when transitioning to a new formula:

- A fear that change in the system could result in lower funding for schools
- Confusion about how the new system functions
- Belief that a loss of mandates may result in some programs being eliminated



Changing The State's School Funding Formula

- What states have done to ease the transition:
 - Gradually transition to the new funding formula
 - Ensure that funding levels for individual districts are “held harmless”
 - Create minimum payments in the formula
 - Allow for certain mandates or programs be retained
 - Educate the public & train district staff about the new formula



QUESTIONS?



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