



**PUBLIC SCHOOLS OF NORTH CAROLINA**

State Board of Education | Department of Public Instruction

# Public Education Finance in NC

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Joint Legislative Task Force on Education Finance Reform

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# Overview of Presentation

- **How did we get here?**  
Review Background and Fundamentals of Current System
- **Response to PED Findings**  
Review Selected Specific Allotments
- **Things to Consider for Moving Forward**

# Key Takeaways

## NC has a Weighted Funding model

Current system was based on logic and research, weights funding based on student- and location-based differences/needs, and funds local education agencies (LEAs) that are responsible for customizing service delivery

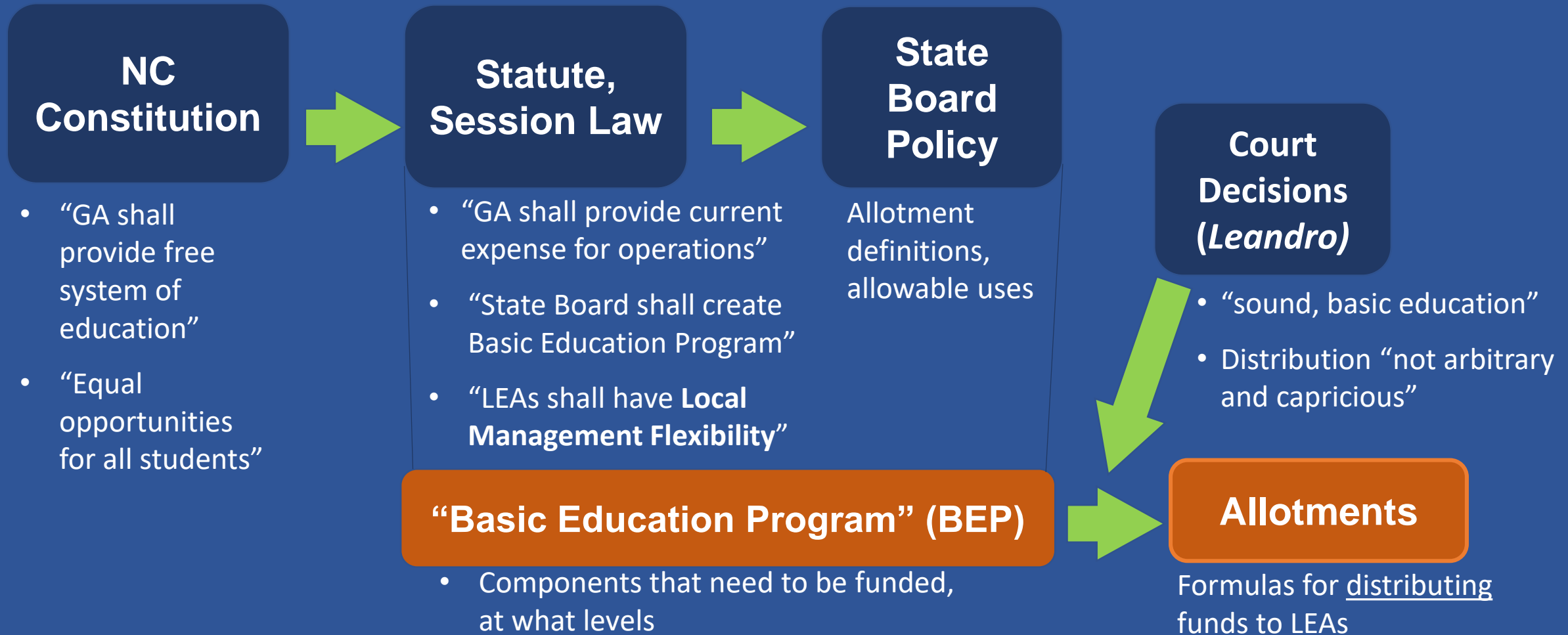
2000 *Leandro* decision validated this system as “sound” (*First Memorandum of Decision*)

## Some Streamlining/Improvement is possible

Restoring, recalibrating, consolidating could all be considered before “overhaul”

# How did we get here?

# Basis for Current System



# Basic Education Program (BEP)

1979-  
1985

General Assembly (GA) and State Board **studied cost to educate students** and the funding relationship between the state and counties

1984

GA clarified state responsibility to provide “**instructional expenses for current operations of the public school system, as defined in the standard course of study**” (SL 1984-1103, codified in GS 115C-408)

1985

GA directed State Board to create a **Basic Education Program** that would “describe the education program to be offered to every child in the public schools” (SL 1985-479, Sec. 55, codified in GS 115C-81)

BEP was to be implemented “within funds appropriated for that purpose” and funds for low-wealth counties were to be provided “to enhance the instructional program and student achievement”

# Basic Education Program (BEP)

Identified the **components** required for a school district to be able to provide a **sound basic education** for all students

Component (ie, Education Program “Input”)	Estimated Need
Instructional Materials	\$25 (in 1985 dollars) per ADM
Instructional Equipment	\$1.71/ADM
Textbooks	\$20/ADM
Classroom Teachers	One position for every 20 ADM in K-3, 22 ADM in 4-6, 21 ADM in 7-8, 24.5 ADM in 9-12
Secretaries/Clerical Assistants (Central Office)	3 positions for 0-1,999 students in ADM, with one additional position for each 1,000 students in ADM
Finance Officer	One per county
Principal	One per school with at least 7 state allotted teachers or 100 students in ADM

**\*These estimated needs translated into formulas for distributing funding for the various components\***

# Flexibility and Accountability

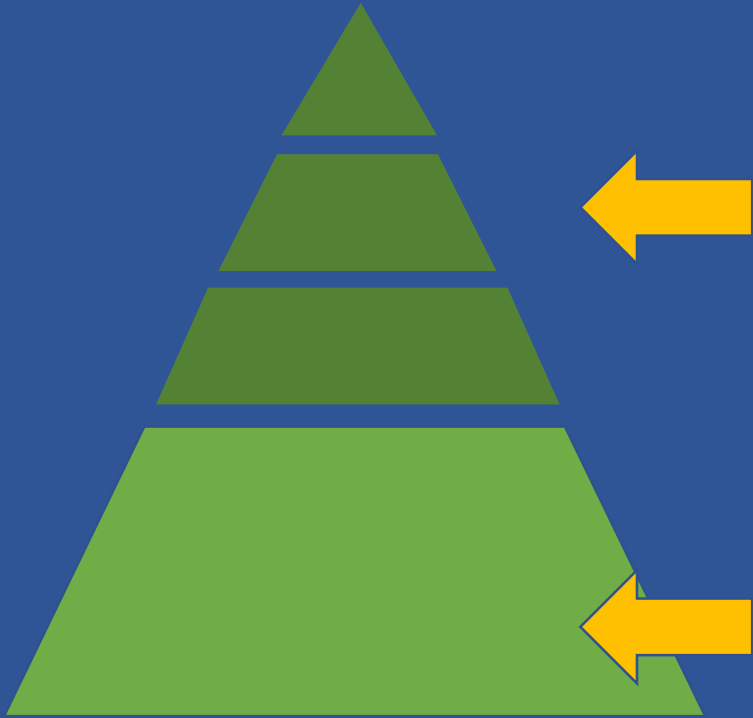
1995

GA provided LEAs with **increased flexibility in using funds**, increased oversight and accountability for student outcomes (SL 1995-450, “HB 6”)

GA **consolidated 49 specific allotment categories into 11** (for a new total of 30) and required the State Board to expand Uniform Educational Reporting System (UERS) data collection to capture information on expenditures at the school level



# Current System of Allotments



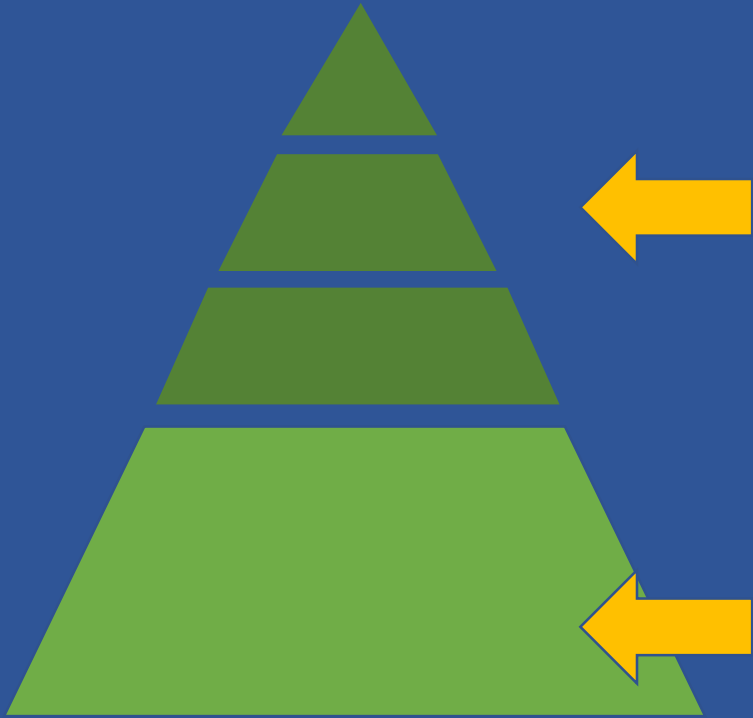
## Supplemental

funds to address special student or situational/LEA characteristics

## Base

funds for every student

# Current System of Allotments



## Supplemental \$

**Examples:** Exceptional Children (EC), Limited English Proficiency (LEP), At-Risk, Low Wealth, Academically & Intellectually Gifted (AIG), Career & Technical Education (CTE)

## Base 👤 \$

**Examples:** Teachers, Principals/Assistant Principals, Instructional Support, Textbooks, Instructional Supplies

# Two Types of Allotments: Position and Dollar



## Position

provides “guaranteed” position (or months of employment) based on ratio of 1:# ADM – State pays at rate on Statewide salary schedule



## Dollar

provides set amount of dollars (typically “\$/ADM”) to be used for allowable purpose

# Position Allotments



*Example:*

## Instructional Support (IS)

$$\begin{aligned} &1 \text{ position per } 218.55 \text{ students in Statewide ADM} \\ &\quad \times \\ &\quad \text{State average salary for IS} \\ &\quad = \\ &\quad \text{State Budget for IS} \end{aligned}$$

Source: 2017 *Highlights* p. 8

# Dollar Allotments








*Example:*

**Academically or Intellectually Gifted (AIG)**

**\$1,310.82 per student for 4% of ADM**

Source: 2017 *Highlights* p. 8

# Selected Allotments – 2017-18 State Budget

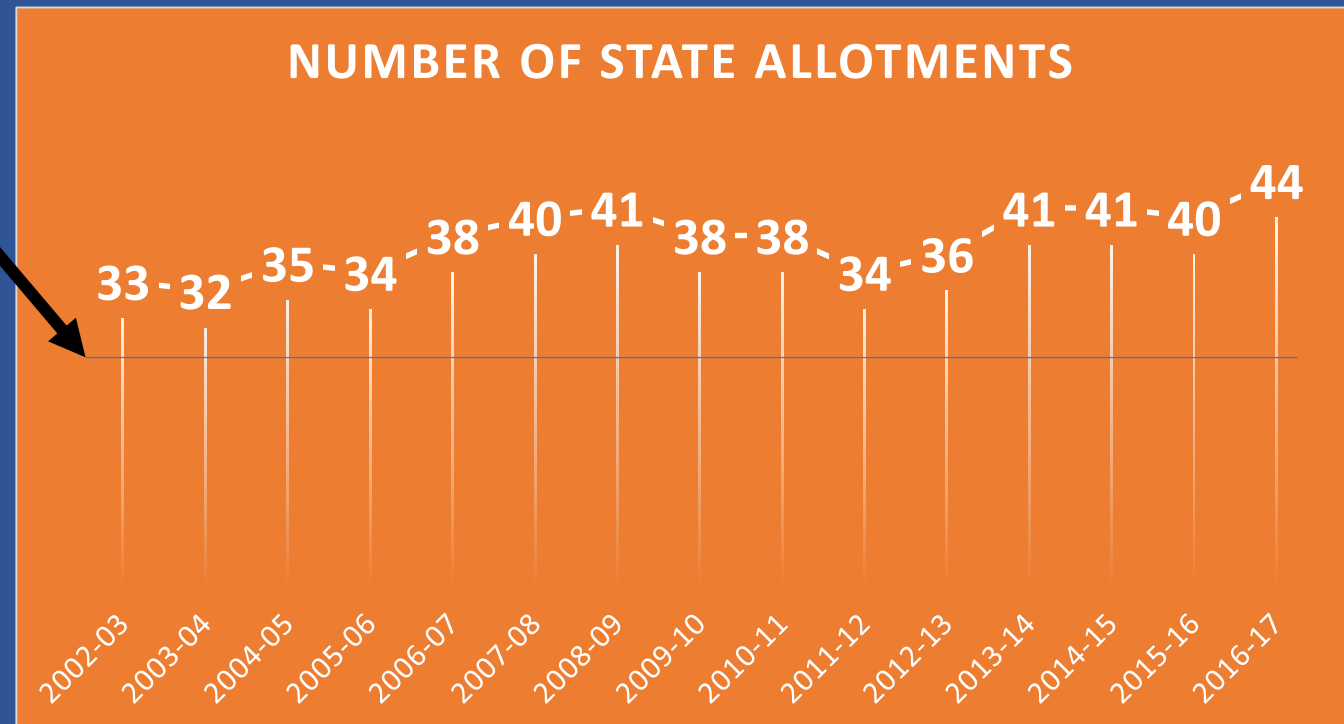
 Teachers	\$ 3,217,439,831
 Principals	\$163,799,216
 Classroom Materials/Instructional Supplies	\$ 47,426,528
 Children with Disabilities	\$743,130,211
 Low Wealth Supplemental Funding	\$222,384,974

# Total Number of Allotments in System

- ~ 25 “core” allotments (e.g., classroom teachers, textbooks) that have been in place since 2002
- Number of allotments in a given year varies (see chart) based on the *creation* or *end* of certain programs

## Examples:

Restart schools, panic alarms, summer reading camps are all individual allotments that have been **created** in the last five years. Staff Development allotment was **ended** in 2011-12.



# Allotments produce Weighted Pools of Funds

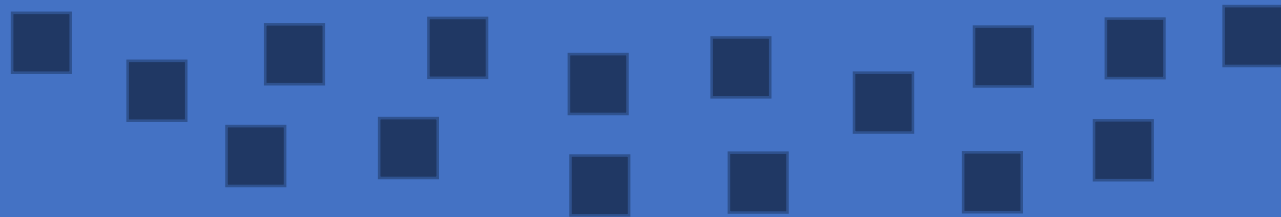
State

Allotments



Weighted Pool of Funds for each LEA  
to allocate among its schools...

LEA



... to meet the **unique needs** of the  
LEA's students.

Note: Each  
Charter School  
receives average  
total \$/ADM of  
LEA in which it is  
located



# Illustration of How Funding is “Weighted”

## Students in Kindergarten through 3rd Grade

		Student Example 1	Student Example 2	Student Example 3	Student Example 4
<b>Funding for Different Students</b>	State	<b>\$7,077.16</b>	<b>\$12,115.35</b>	<b>\$10,954.02</b>	<b>\$5,835.77</b>
Every Student (note)	\$5,410.53	X	X	X	X
Student from a Low Income Family	\$347.68	X	X	X	
Special Learning Issues (IEP's)	\$4,093.14		X	X	
Small County	\$754.40	X	X		
Students Below Grade Level (Summer Camps, etc)	\$105.51		X		
Disadvantaged Student Supplemental Funding	\$263.13	X	X	X	
Low Wealth County	\$301.42	X	X		
Limited English Proficiency	\$839.54		X	X	
Intellectually and Academically Gifted	\$425.24				X
Career & Technical Ed	\$0.00				
Cooperative Innovative HS	\$0.00				

*Every Student includes: Teachers (total divided by ADM; not by grade span allotment), teacher assistants (K-3), instructional support, some at-risk (ADM portion), textbooks, classroom materials/supplies (PSAT test in 9-12), school technology, transportation, and administrative & support categories (\$962.07) which includes central office administration, school building administration, noninstructional support personnel, driver education, school connectivity, school safety officer, annual leave, longevity, mentor pay, and school bus purchases.*

# Response to PED Findings

# PED Findings: Allotment-specific

- PED finds various issues with 7 allotments (see PED slides 5-6)

## Response:

- Disagree with findings re Classroom Teacher allotment
- Agree that 5 other allotments have issues that create skewed distributions – primarily because the logic in the original formulas has been lost or “broken” by subsequent modification
- *Will review Central Office, LW, Classroom Teachers to illustrate*

# Central Office

- GA created the allotment in 1995 (S.L. 1995-450), consolidating separate allotments for superintendents, school administrators, finance officers, maintenance supervisors, child nutrition supervisors, community schools, sports medicine, health education, categorical central office administrators, and the associated benefits into a single allotment.
  - **1995 to 2001-02:** each LEA received a **base amount**, depending on ADM range, and **additional funds for ADM above the base amount**
  - 2002-03 to present: each LEA's allotment has been **frozen at the amount based on 2002-03 ADM**, adjusted each year only for legislated actions.
- **PED correctly pointed out that the move away from the “base plus ADM” formula has caused inequities in the distribution of funds, particularly between LEAs with declining v. increasing ADM.**

# Low Wealth Supplemental Funding

- The purpose of the allotment is to provide additional funds to LEAs that have below-State average ability to generate local revenue to support their schools
- Funding helps make up the difference between what a county is able to generate from its property tax base and what the average county in the state can generate
- GA first funded the Low Wealth allotment in 1990-91; fully funded it for the first time in 2006-07
- Formula weighs “ability to generate property tax” (40%), “per capita income” (50%), and “taxable property per square mile” (10%)
- **The PED report reasonably questions whether the per square mile adjustment has adequate justification, or simply skews the distribution of funds toward counties that have large areas of non-taxable land.**

# Classroom Teacher Allotment

PED assertion: “The structure of the Classroom Teacher allotment results in a distribution that favors wealthy LEAs.”

- This finding appears to misunderstand and/or contradict some basic facts about the classroom teacher allotment (and other position allotments)
  - Equity of opportunity to use each allotted position
  - The nature of a position allotment
  - Other factors contributing to the distribution of LEA average teacher salary
- Some of the assertions in the report seem to misunderstand the factors leading to teacher’s employment and location decisions

# Classroom Teacher Allotment

Rationale for position allotment includes the following:

- Gives each LEA the same ability to pay a teacher regardless of local circumstances
- Each LEA can hire “best teacher” for each spot without regard for salary availability
- Provides districts (and the State) with predictability in budgeting

# Classroom Teacher Allotment

The PED report noted several concerns with the classroom teacher allotment, mostly around the idea of teacher “sorting” (where teachers take their skills to areas that pay better). The two tables below show the top 10 and bottom 10 LEAs by average teacher salary for 2017, along with the data for other factors that may contribute to the average salary.

LEA	Avg Salary in 2017	Attrition Rate	% Teachers with Masters or Above	% ADM Change 16 to 17
Dare County	69,206	8.8%	36.4%	-0.90%
Watauga County	68,292	10.3%	36.4%	-2.40%
Alleghany County	68,028	8.3%	40.0%	2.50%
Mitchell County	67,485	5.4%	31.9%	2.10%
Polk County	66,964	10.9%	40.8%	0.70%
Avery County	66,792	3.5%	35.6%	2.60%
Clay County	66,277	11.2%	32.8%	-0.40%
Camden County	66,140	8.6%	28.1%	-1.90%
Elkin City	65,772	5.8%	27.4%	2.10%
Jones County	65,729	6.5%	31.9%	-2.40%
<b>Group Average</b>	<b>67,069</b>	<b>7.9%</b>	<b>34.1%</b>	<b>0.2%</b>

LEA	Avg Salary in 2017	Attrition Rate	% Teachers with Masters or Above	% ADM Change 16 to 17
Thomasville City	59,738	11.7%	27.4%	3.50%
Richmond County	59,729	11.9%	22.2%	1.10%
Halifax County	59,718	18.0%	15.8%	6.50%
Robeson County	59,619	7.0%	24.6%	1.90%
Duplin County	59,371	8.8%	20.1%	1.60%
Harnett County	59,140	8.8%	22.6%	-0.50%
Lee County	58,915	11.9%	31.9%	0.30%
Onslow County	58,788	12.6%	24.4%	-0.80%
Newton-Conover	58,578	8.1%	32.8%	3.10%
Hoke County	57,518	8.9%	17.3%	-0.80%
<b>Group Average</b>	<b>59,111</b>	<b>10.7%</b>	<b>23.9%</b>	<b>1.6%</b>



# PED Findings: System-level issues

- PED finds 5 issues with/voices opinions about aspects of the allotment system (see PED slides 7)

## Response:

- Finding 11 and first part of 9 are accurate; second part of 9 is subjective, needs more definition
- Finding 12 is not inaccurate, but needs more justification
- Finding 8 is subjective, oversimplifies, and may overreach
- Finding 10 appears to confuse *allotment* of funds with *use* of funds

# Things to Consider for Moving Forward

# Key Takeaways

## NC has a Weighted Funding model

- Current system was based on logic and research, weights funding based on student and location-based differences/needs, and funds local education agencies (LEAs) that are responsible for customizing service delivery
- 2000 *Leandro* decision validated this system as “sound” (*First Memorandum of Decision*)

## Some Streamlining/Improvement is possible

- Restoring, recalibrating, consolidating could all be considered before “overhaul”

# Next Steps for Committee?

- Suggest more focused review of various funding formulas
  - Whole meetings (1-2 hrs) devoted to Exceptional Children's allotment, mechanism for funding charter schools
  - Other meetings to walk through each current allotment, identify any concerns and/or potential fixes?
- Suggest (as in 11-1-17 presentation) identifying clearly what GA wants to accomplish, what guiding principles are for "updated finance system"
- DPI would be happy to work with members to analyze/model the effects of potential changes