

FISCAL RESEARCH DIVISION

A Staff Agency of the North Carolina General Assembly

Public School Funding System

February 7, 2022

Overview

- Public Schools Funding
 - History
 - Structure (Generation, Distribution, Utilization)
- 2021-23 Biennial Budget (SL 2021-180)
- Special Programs



Public School Funding History



NC Constitution (Art. IX, Sec. 2)

- *The General Assembly shall provide by taxation and otherwise for a general and uniform system of **free public schools**...*
- *The General Assembly **may assign to units of local government such responsibility for the financial support of the free public schools** as it may deem appropriate. The governing boards of units of local government...may use local revenues to add to or supplement any public school or post-secondary school program.*



School Machinery Act

- **PL 1931-430** - *An Act to Make Effective the Constitutional Provision for State Maintenance of the Six Months School Term*
 - LEA budgets must be approved and monitored by the State
 - State Budget would cover the “current expense” (instructional program)
 - Local funds would cover maintenance and capital expenses
- **PL 1933-562** – *An Act to Promote Efficiency in the Organization and Economy of the Administration of the Public Schools of the State; to Provide for the Operation of a Uniform System of Schools...*
 - Abolished existing local school taxing districts
 - Created standards across school business (e.g., instructional months, minimum number of students to create a school, etc.)
- **Result**
 - State – Funds the operational program, sets policy, provides oversight
 - Locals – Funds the building program, allocates resources between schools, manages personnel



Basic Education Program/UERS

- **SL 1983-761** - *The State Board of Education shall develop a program for evaluating alternative means of distributing funds to local school administrative units...*
 - Define the State's basic educational program and determine its cost
 - Develop and propose to the General Assembly a system for allocating funds
 - Develop an accountability system
- **SL 1985-479** - *The State Board shall implement the Basic Education Program within funds appropriated for the school years 1985-86 and 1986-87 as herein provided.*
 - GS 115C-81
 - Initially planned to be phased in over eight years, but economic and policy factors prevented full implementation
- **SL 1987-414** - *The State Board of Education shall adopt standards and procedures for local school administrative units to provide timely, accurate, and complete fiscal and personnel information...*
 - Uniform Education Reporting System (UERS)

School Social Workers - One for every 2,500 students in ADM, at least one per county

School Nurses - One for every 3,000 students in ADM, at least one per county



School Flexibility/Accountability

- **SL 1995-450** - *Effective July 1, 1995, funding allotments in the Public School Fund are consolidated as follows to increase flexibility in the use of State funds...*
 - Consolidated ~45 allotments into 10

Existing Funding Allotments

- (1) Superintendents;
School Administrators;
Finance Officers;
Maintenance Supervisors;
Child Nutrition Supervisors;
Community Schools;
Sports Medicine;
Health Education;
Categorical Central Office
Administrators;
Matching Benefits.
- (2) Classroom Teachers - regular;
Self-Contained Exceptional
Children Teachers;
Program Enhancement Teachers;
Math, Science, and
Computer Teachers;
Matching Benefits.

New Funding Allotments

Central Office
Administration.

Classroom Teachers.



Public School Funding Structure



Structure

- The State Public School Fund (SPSF) is *generated* through a series of **funding formulas** that typically utilize student headcount and other targeted factors
- Funds are *distributed* throughout **allotments**, adjusted for changes in ADM, NCVPS participation, charter school enrollment, etc.
- Schools *utilize* the funding by **transferring** it between allotments and spending within an approved **chart of accounts**



Generating the State Budget

Largely three types of formulas

- **Base allotments:** go to all LEAs, predominantly based on ADM (~80% of all funding)
 - Ex., Classroom teachers, teacher assistants, career and technical education, transportation, etc.
- **Allotments addressing student characteristics:** funding based on relative populations (~16% of all funding)
 - Ex., children with disabilities, at-risk, limited English proficient, etc.
- **Allotments addressing LEA characteristics:** funding based on LEA size or wealth (~3% of all funding)
 - Ex., low wealth, small county, etc.



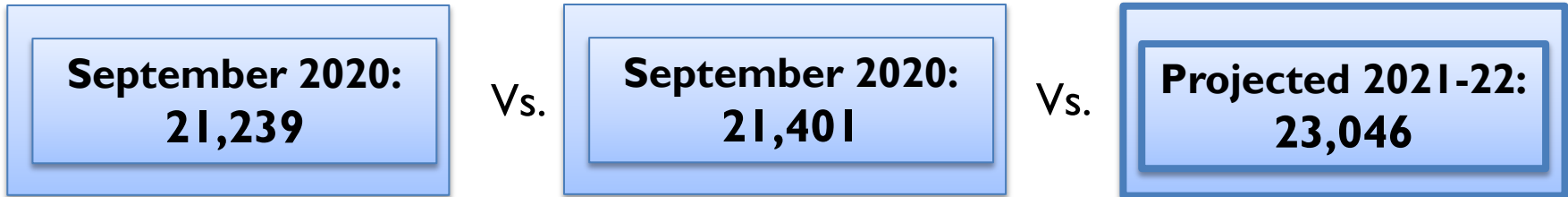
Average Daily Membership

- Most allotments are provided to LEAs based on allotted Average Daily Membership (ADM)
- Membership = being on the current roll at a school (“expected to be there”)
 - Not the same as attendance
- ADM =
daily sum of all students in membership for a month
total days in month



Determining Allotted ADM

For each LEA, DPI compares actual ADM in months 1 and 2 for the current school year against a statistical projection for the next school year



- The highest of the three figures becomes that LEA's *allotted ADM* for the year.
- The sum of the LEAs' allotted ADM forms the Statewide allotted ADM used in funding formulas.

Classroom Teachers

Grade Span	Ratio	ADM	Positions*
K	1:18	112,791	6,273.5
1	1:16	115,530	7,228.5
2 - 3	1:17	231,634	13,633.0
4 - 6	1:24	363,404	15,152.0
7 - 8	1:23	257,161	11,188.0
9	1:26.5	132,664	5,013.5
10 - 12	1:29	340,448	11,746.0
Other Teachers			207.0
Total		1,553,632	70,441.5

Each LEA is rounded to the nearest half position, except:

Per SL 1993-769, DPI must round to the nearest whole number of positions for city LEAs with fewer than 3,000 students.



Classroom Teachers

2021-22 Classroom
Teaching Positions
Required: 70,441.5

X

2020-21 6th PP Avg.
Salary (& Leg Inc.):
\$49,230

=

2021-22 Salaries: \$3,467,835,045

+

Social Security: \$274,410,354

+

TSERS: \$791,845,291

+

SHP: \$469,332,266

=

2021-22 Budget: \$5,003,422,956



Distributing the State Budget

- Distribution of allotments to the LEAs follows the same formulas used to generate the State budget with modifications:
 - DPI adjusts an LEA's funding based on actual ADM (S.L. 2007-323)
 - DPI reduces an LEA's classroom teacher allotment to fund projected participation in NCVPS (G.S. 115C-238.82)
 - DPI reduces an LEA's funding to fund resident charter schools and other independent public schools (G.S. 115C-218.105, etc.)
- Independent public schools receive their allotments in a single block grant, adjusted for actual ADM.



Utilizing the State Budget - Transfers

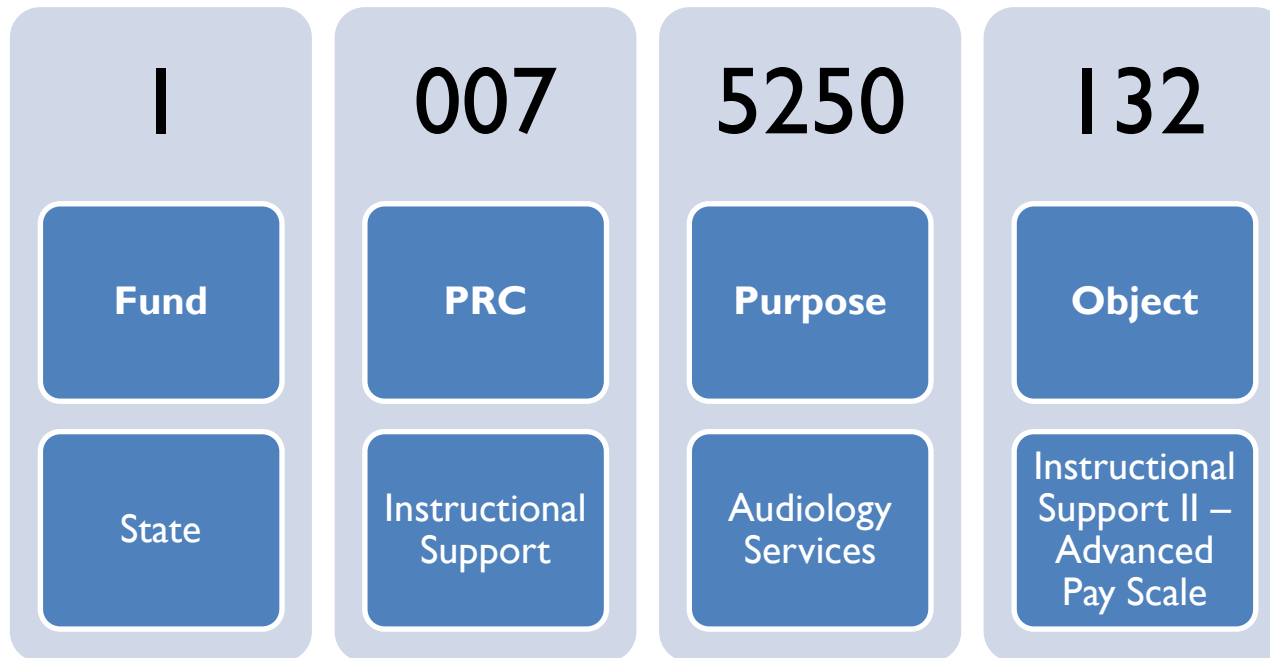
- LEAs can transfer State funds between allotments subject to restrictions in G.S. 115C-105.25

PRC	Allotment	Transfers Allowed		Notes
		In	Out	
001	Classroom Teachers	No	Yes	May be converted at average for Visiting International Faculty.
002	Central Office Administration	Yes	No	
003	Noninstructional Support Personnel	Yes	Yes	
012	Driver Training	No	No	
013/014	Career and Technical Education	Yes	Yes	Transfers out limited to compliance with federal requirements.
016	Small County Supplemental Funding	Yes	Yes	Generally transfer is not required since funding can be used for nearly everything.
016/085	Excellent Public Schools Act	No	Yes	



Utilizing the State Budget - COA

- Schools can spend State funds on allowable expenses documented in DPI's Chart of Accounts (COA)
- Allowable uses developed by DPI in response to LEA requests within limitation of law and policy



State Public School Funding Takeaways

- System was designed in recognition of the State's role as the primary support for public schools
- Allocation model creates weighted pool of resources from which public schools serve all students
- The generation, distribution, and utilization of State funds are linked but can be modified separately or collectively



2021-23 Biennial Budget



COVID-19 Response

- Continued the FY 2020-21 hold harmless to FY 2021-22
 - Projected ADM was adjusted based on actual FY 2020-21 numbers
 - Budget required report on effects of hold harmless, total of \$269.4 M over two years
- Increased the ADM contingency reserve by \$10 M (NR) and created a NR reserve for students with disabilities of \$25 M



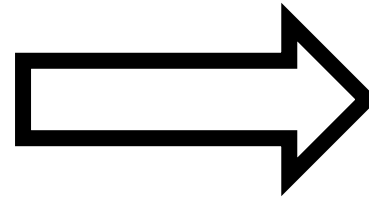
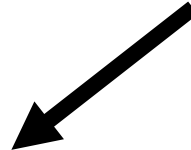
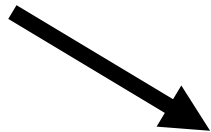
Children with Disabilities



Increased per-student funds by \$50



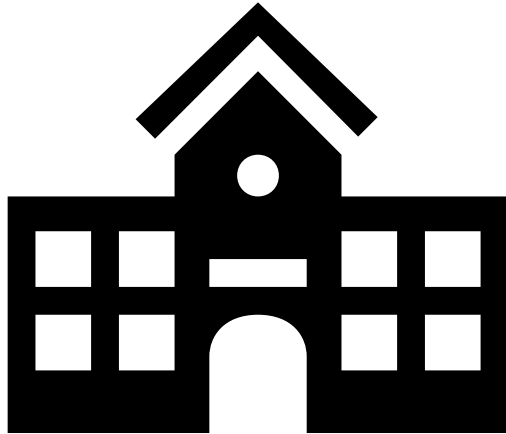
Cap per LEA from 12.75% to 13% of ADM



Individual services needed for each child

Pool of funds for children with disabilities

Capital Needs



- Reforms to the Needs-Based Public School Capital Fund
 - Change to matching requirements
 - Removes ineligibility period
 - Appropriates an additional \$148.5 M over the course of the biennium
- New R&R fund
 - \$300,000/county in FY 2021-22
 - \$500,000/county in FY 2022-23

Other Major Initiatives

Item	Amount
School Psychologists Allotment	An additional \$9 M
Charter School Transportation Grant Program	\$2.4 M
School Safety Grants	\$9.7 M NR in each year of the biennium
Science of Reading	\$6.5 M NR in FY 2021-22 and \$5.5 M NR in FY 2022-23
School Connectivity	An additional \$4.6 M to match federal funds
School Business System Modernization	\$48.8 M NR in FY 2021-22 and \$37.9 M NR in FY 2022-23



Special Programs



External Partners Receiving Recurring Funds

Program	Year Funding Began	FY 2021-22 State Funding
Teach for America	1997	\$6 M
Communities in Schools	1997	\$2.45 M
NC Association of School Business Officers (NCASBO)	2021	\$2.23 M
Beginnings for Parents	2001	\$1 M
Schools that Lead	2018	\$350,000
Troops to Teachers	1994	\$149,996



Largest DPI-Run Programs

Program	Year Funding Began	FY 2021-22 State Funding
Summer Reading Camps	2013	\$40.2 M
School Connectivity (federal match)	2006	\$35.8 M
Cooperative and Innovative High Schools and Regional Schools	2004	\$27.1 M
Test Bonuses for Teachers	2017	\$22.9 M
School Resource Officers	2013	\$18 M
Virtual Charter Schools Pilot	2014	\$13.9 M



**A complete list of
special programs
can be found in the
[online handout.](#)**



Questions?

For more detailed information on public school funding, see March 2021 FRD presentations to Joint Education Appropriations available at www.ncleg.gov/Documents/127

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