

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

# Public Schools Funding, Part I

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**March 2, 2021**

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## Agenda

- Today
  - Key Facts
  - How Public Education Money Is Spent
  - Average Daily Membership (ADM)
  - Base Allotments – Guaranteed Positions
- Tomorrow
  - Base Allotments – Dollars
  - Allotments Addressing Student Characteristics
  - Allotments Addressing District Characteristics
  - Miscellaneous Programs, Other State Funds, and Federal Funds
  - COVID-19 and Other Recent Developments

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## NC Public Schools—Key Facts

NC public schools divided into 115 local education agencies (LEAs)

- 89 counties where county/LEA boundaries the same
- 11 counties with multiple “county” and “city” LEAs



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## NC Public Schools—Key Facts

### North Carolina Constitution:

- “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.”

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## NC Public Schools—Key Facts

### Delineation of Funding Responsibilities

1933 School Machinery Act

**State**


↓

**current expenses  
(instructional program)**

**LEAs**

↓

**capital expenses  
(buildings & maintenance)**



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## NC Public Schools—Key Facts

### Delineation of Operational Responsibilities

**State**


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- **Development of policies**
- **Technical assistance**
- **Oversight / management of statewide resources**

**LEAs**

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- **Resource allocations between schools**
- **Day-to-day operations**
- **Hiring of personnel**



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## NC Public Schools—Key Facts

### Public School Units (PSUs)

	FY 2010-11	FY 2019-20
Traditional	2,425	2,451
Charter	99	196
Regional	-	1
Laboratory	-	5
Innovative School District	-	1
Residential	3	3
<b>Total Schools</b>	<b>2,527</b>	<b>2,657</b>

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## NC Public Schools—Key Facts

### LEA Characteristics in FY 2020-21

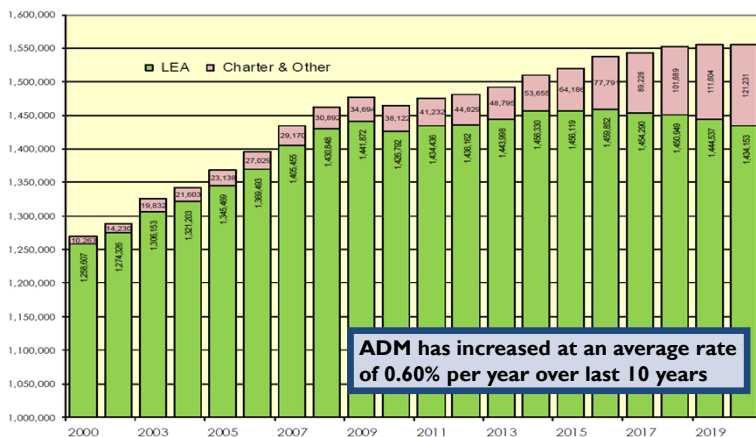
LEAs vary greatly

- Size
  - 50% of students are in the 15 largest LEAs
  - 43 LEAs (about 1 in 3) with fewer than 4,000 students
- Wealth – ability to generate local funding for schools
- Student needs
  - Limited English Proficiency
  - Child with Disabilities
  - Poverty

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# NC Public Schools—Key Facts

## Average Daily Membership (ADM)

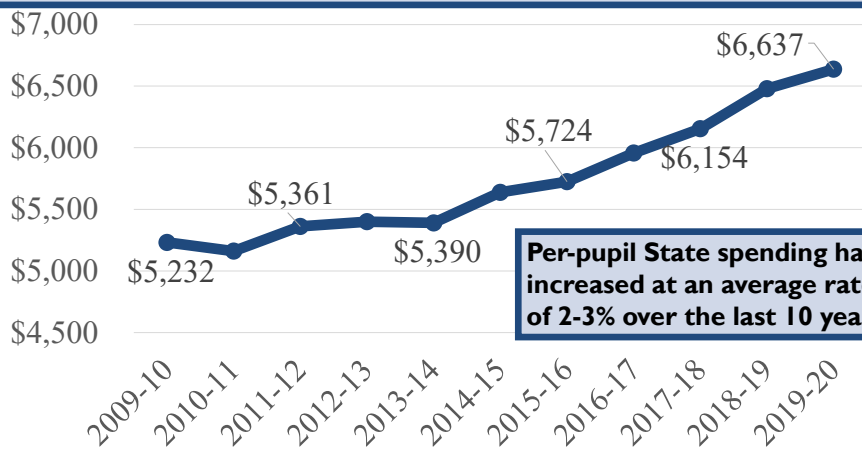


ADM has increased at an average rate of 0.60% per year over last 10 years

Source: Department of Public Instruction, Highlights of the North Carolina Public School Budget, May 2020

# NC Public Schools—Key Facts

## State Expenditures Per Pupil



Per-pupil State spending has increased at an average rate of 2-3% over the last 10 years.

## NC Public Schools—Key Facts

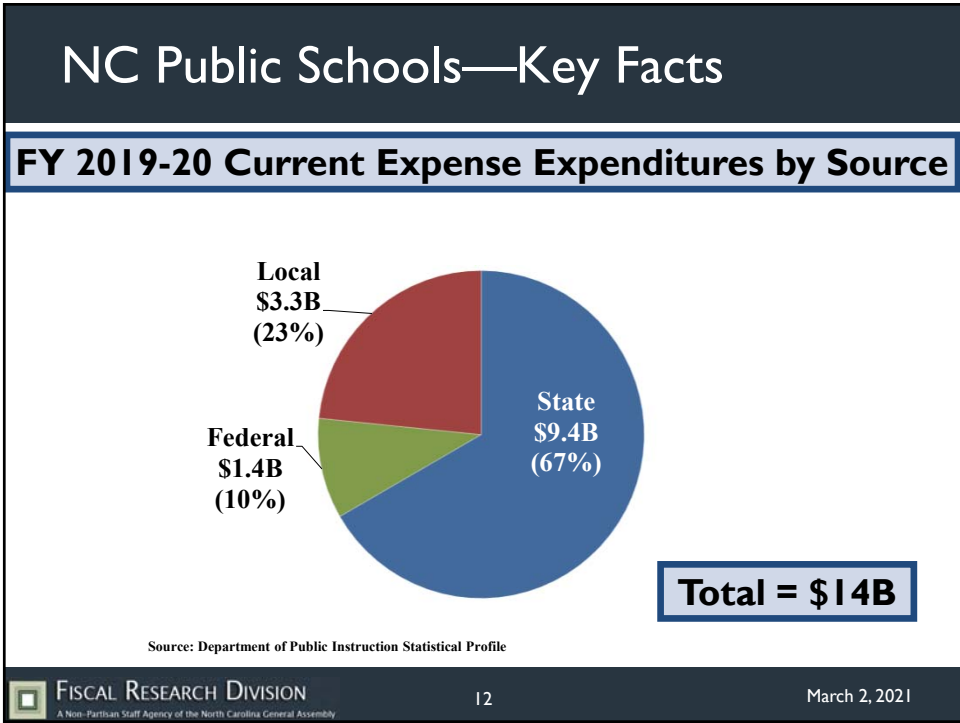
### 2019-20 Per Pupil Expenditures

	State Funds	Federal Funds	Local Funds
Highest	\$14,699	\$3,812	\$6,632
Average	\$6,637	\$994	\$2,320
Lowest	\$5,919	\$402	\$768

Source: Department of Public Instruction Statistical Profile, child nutrition included

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# NC Public Schools—Key Facts

## FY 2021-23 Base Budget

State General Fund requirements equal **\$12.18 billion**, with receipts of **\$2.17 billion** and a net appropriation of **\$10.02 billion**.

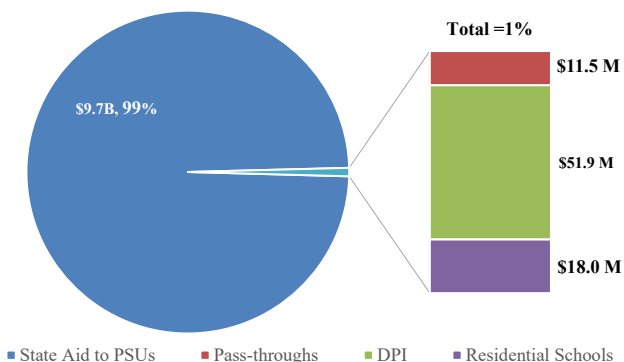
	FY 2021-22	FY 2022-23
Requirements	\$12,182,234,990	\$12,182,234,990
Receipts	\$2,165,914,580	\$2,165,914,580
<b>Net Appropriation</b>	<b>\$10,016,320,410</b>	<b>\$10,016,320,410</b>

## How Is Public Education Money Spent?

# How Is Public Education Money Spent?

## Majority of Funding Supports PSUs

2019-20 General Fund Budget (\$9.8 billion)

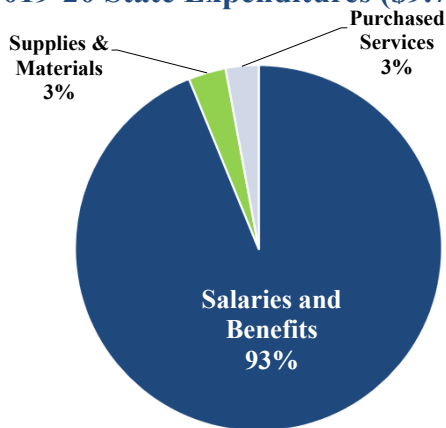


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# How Is Public Education Money Spent?

## Majority of LEA Spending on Personnel

2019-20 State Expenditures (\$9.7 billion)



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## How Is Public Education Money Spent?

### Number of Full-Time Employees Decreasing

Personnel Type	2010-11	2012-13	2014-15	2016-17	2018-19	2019-20	# Change: FY11 v FY20	% Change: FY11 v FY20
Central Office	1,861	1,810	1,885	1,897	1,992	2,026	165	8.9%
Principals	2,423	2,432	2,441	2,452	2,450	2,433	10	0.4%
Assistant Principals	2,686	2,733	2,832	2,938	2,943	3,005	319	11.9%
Teachers	94,879	95,146	94,566	94,304	93,397	93,923	(956)	-1.0%
Instructional Support	14,465	14,722	15,275	15,560	16,511	16,693	2,228	15.4%
Teacher Assistants	26,306	24,412	22,505	21,628	21,418	21,344	(4,962)	-18.9%
Technicians	1,569	1,555	1,682	1,780	1,546	1,675	106	6.8%
Clerical / Secretarial	10,646	10,270	10,368	10,322	9,931	9,811	(835)	-7.8%
Other Non-Certified	25,635	24,069	23,733	23,272	23,057	23,209	(2,426)	-9.5%
<b>Total</b>	<b>180,470</b>	<b>177,149</b>	<b>177,149</b>	<b>174,153</b>	<b>173,245</b>	<b>174,119</b>	<b>(6,351)</b>	<b>-3.5%</b>

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## How Is Public Education Money Spent?

### Changes in FTE Vary by Funding Source

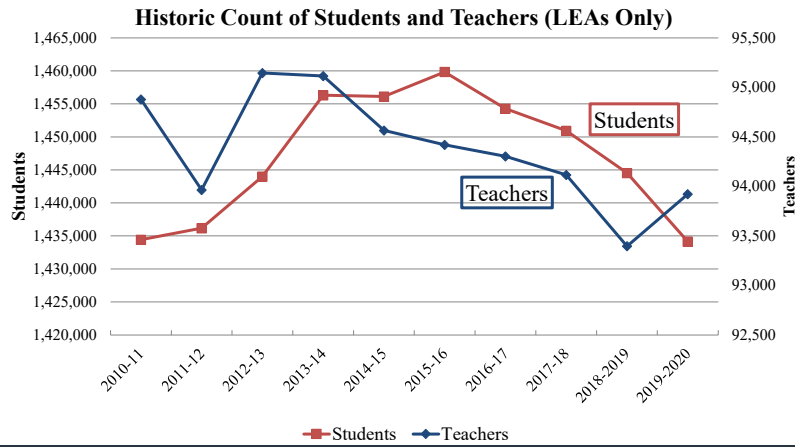
#### Full-Time Public School Personnel All Position Types

Fund Source	2010-11	2012-13	2014-15	2016-17	2017-18	2018-19	2019-20	# Change: FY11 v FY20	% Change: FY11 v FY20
State	125,981	133,792	131,751	134,115	133,427	133,328	134,049	8,068	6.4%
Federal	26,070	13,993	12,951	12,302	11,865	11,906	11,598	(14,472)	-55.5%
Local	28,419	29,364	30,585	27,736	28,306	28,011	28,472	53	0.2%
<b>Total</b>	<b>180,470</b>	<b>177,149</b>	<b>175,287</b>	<b>174,153</b>	<b>173,598</b>	<b>173,245</b>	<b>174,119</b>	<b>(6,351)</b>	<b>-3.5%</b>

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# How Is Public Education Money Spent?

## Student Population Falling in LEAs



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# How Is Public Education Money Spent?

## Historical Changes in Teacher Salaries

Fiscal Year	Teachers	State Employees	Consumer Price Index
2007-08	5.0%	4.0%	2.8%
2008-09	4.0%	2.8%	3.8%
2009-10	0.0%	0.0%	-0.4%
2010-11	0.0%	0.0%	1.5%
2011-12	0.0%	0.0%	3.0%
2012-13	1.2%	1.2%	1.8%
2013-14	0.0%	0.0%	1.5%
2014-15	7.0%	1.86%	1.6%
2015-16	3.8%	\$750 bonus	0.1%
2016-17	4.7%	1.5% + 0.5% bonus	2.1%
2017-18	3.3%	2.2%	2.1%
2018-19	6.5%	2.0%	1.6%
2019-20	1.2%	2.5%; 0% for noncertified	0.6%

Salaries frozen during Recession

Focus on early to mid-career

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# How Is Public Education Money Spent?

## Takeaways

1. 99% of State funds support public schools
2. 93% of State funds support personnel
3. Expenditures per student driven by salary and benefit increases
4. Growth in student population largely in charter schools

# Average Daily Membership

## Average Daily Membership

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

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## Determining Allotted ADM

Each winter, DPI follows these 5 steps for determining total allotted ADM for the next year:

- 1) For each LEA, compare **current year actual** ADM in month 1 and month 2 of school year (example: for building FY 2021-22 budget, look first at FY 2020-21 ADM)
- 2) Identify the **higher** figure (“**Best 1 of 2**”)

September 2020:  
21,239

Vs.

October 2020:  
21,401

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## Determining Allotted ADM

- 3) Compare the figure from step 2 to a statistical projection of ADM for the coming year

October 2020:  
21,401

Vs.

Projected 2021-22:  
23,046

- 4) The higher number is the **allotted ADM** for that LEA in the coming year. (note: an LEA's budgeted ADM can be no lower than the prior-year actual)

## Determining Allotted ADM

- 5) Sum the allotted ADM figures for all the LEAs:

### Statewide Total Allotted ADM

2020-21 Allotted ADM:  
1,560,710

# Allotments

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## Basis for Public Schools Funding

### Allotments

- The way the money goes out the door to the LEAs
- Each allotment is driven by a formula
- There are 20+ State allotments
- Instead of funding specific programs, most allotments create a pool of funds from which the LEA can deliver a range of services

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## State Funding Allotments

Largely three types of allotments

- **Base allotments:** go to all LEAs, predominantly on the basis of ADM
- **Allotments addressing student characteristics:** funding based on relative populations of certain student characteristics
- **Allotments addressing LEA characteristics:** funding based on LEA size or wealth

## Base Allotments

## State Funding—Base Allotments

- Base allotments represent about 80% of State allocations
- Base allotments provide a foundation of public school operational support
  - Funds flow to all 115 LEAs
  - ADM is the primary determinant of fund allocation
- Most Base allotments support positions
  - Instead of dollar allocations, LEAs receive months of employment or 10- and 12-month positions
  - State pays the salary and benefits of employee regardless of person's placement on salary schedule

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## Base Allotments Guaranteed Positions

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## Classroom Teachers

2019-20 Budget	2020-21 Budget	% of 20-21 Allotments
3.468B	3.490B	35.3%

- **Purpose:** Provides LEAs guaranteed funding (salaries & benefits) to cover 10-month positions for classroom teachers
- **Formula:** LEAs provided positions based on the allotted ADM by grade spans

## Classroom Teachers

### Class-size Ratios for FY 2020-21

2020-21 Grade Spans	Teacher Allotment Ratio	Max Class-Size Average Ratio for the LEA	Individual Class-Size Maximum
K	1:18	1:18	1:21
1	1:16	1:18	1:21
2-3	1:17	1:18	1:21
4-6	1:24	--	--
7-8	1:23	--	--
9	1:26.5	--	--
10-12	1:29	--	--

S.L. 2018-2, which lowered class-size maximums for grades K-3, will be fully implemented in FY 2021-22.

# Classroom Teachers

## Statewide Salary Schedule

Years of Experience	FY 2020-21 Base "A" Schedule	Master's Supplement (10%)	NBPTS Supplement (12%)	Advanced Degree (\$126/month)	Doctoral Degree (\$253/month)	Performance Bonuses	Local Supplements
0	\$35,000	(\$3500)	N/A	(\$1260)	(\$2530)		
1	\$36,000	(\$3600)	N/A	(\$1260)	(\$2530)		
2	\$37,000	(\$3700)	N/A	(\$1260)	(\$2530)		
3	\$38,000	(\$3800)	(\$4560)	(\$1260)	(\$2530)		
4	\$39,000	(\$3900)	(\$4680)	(\$1260)	(\$2530)		
5	\$40,000	(\$4000)	(\$4800)	(\$1260)	(\$2530)		
6	\$41,000	(\$4100)	(\$4920)	(\$1260)	(\$2530)		
7	\$42,000	(\$4200)	(\$5040)	(\$1260)	(\$2530)		
8	\$43,000	(\$4300)	(\$5160)	(\$1260)	(\$2530)	Varies	Varies
9	\$44,000	(\$4400)	(\$5280)	(\$1260)	(\$2530)		
10	\$45,000	(\$4500)	(\$5400)	(\$1260)	(\$2530)		
11	\$46,000	(\$4600)	(\$5520)	(\$1260)	(\$2530)		
12	\$47,000	(\$4700)	(\$5640)	(\$1260)	(\$2530)		
13	\$48,000	(\$4800)	(\$5760)	(\$1260)	(\$2530)		
14	\$49,000	(\$4900)	(\$5880)	(\$1260)	(\$2530)		
15-24	\$50,000	(\$5000)	(\$6000)	(\$1260)	(\$2530)		
25+	\$52,000	(\$5200)	(\$6240)	(\$1260)	(\$2530)		

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# Classroom Teachers

## How Does NC Budget Guaranteed Positions?

- Guaranteed positions do not have fixed cost
- Use 6<sup>th</sup> pay period actual for estimating next fiscal year's projected costs

2020-21 Classroom Teaching Positions Required: **70,988**

**X**

2019-20 6<sup>th</sup> PP Avg. Salary (& Leg Inc.): **\$49,165**

**=**

2020-21 Budget: **\$3,490,125,020**

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## Classroom Teachers

### What is the Rationale for Guaranteed Positions?

- LEAs can hire best candidate regardless of salary
- Reduces possible incentives to:
  - Move to a “wealthier” district for higher pay
  - Replace more expensive experienced teachers with initially licensed teachers

## Classroom Teachers

### Major Changes in Recent Past

#### H.B. 90 (S.L. 2018-2)

- Phases in K-3 average and maximum class sizes over 4 years.
- Incrementally funds Program Enhancement Teachers (PETs) over 4 years to reach 1:191 ratio.
  - Initial appropriation of \$61.4 million in FY 2018-19 as 25% of cost of fully funding PET.
  - PET allotment fully funded in FY 2021-22.

## Program Enhancement Teachers

2019-20 Budget	2020-21 Budget	% of 20-21 Allotments
94M	139M	1.4%

- **Purpose:** Supports 10-month positions for teachers in arts, music, world languages, and physical education
- **Formula:** 1 position per every 191 in K-5 ADM

## Instructional Support

2019-20 Budget	2020-21 Budget	% of 20-21 Allotments
408M	410M	4.2%

- **Purpose:** Supports 10-month positions for counselors, social workers and other instructional support personnel
- **Formula:** 1 position per every 210.56 in ADM

## Instructional Support

### Major Changes in Prior Biennium

#### H.B. 75 (S.L. 2019-222)

- Appropriated an additional \$20 million in FY 2019-20 and \$23 million in FY 2020-21 for school mental health support personnel

#### H.B. 1043 (S.L. 2020-4)

- Appropriated an additional \$10 million in Coronavirus Relief Funds (CRF) for school health support personnel in response to COVID-19

## Career and Technical Education

2019-20 Budget	2020-21 Budget	% of 20-21 Allotments
353M	356M	3.6%

- **Purpose:** Provides guaranteed months of employment (MOEs) to fund CTE teacher salaries, benefits, and program support
- **Formula:** 50 months of employment per LEA with remaining funds distributed based on grade 8-12 ADM

## School Building Administration

2019-20 Budget	2020-21 Budget	% of 20-21 Allotments
301M	302M	3.1%

- **Purpose:** Provides guaranteed funding to support 12-month positions for principals, and MOEs for assistant principals
- **Formula:**
  - Principals: 1 position for each school where ADM  $\geq$  100 or 7+ state-paid teachers/inst. support (until 2011)
  - Assistant Principals: 1 MOE per every 98.53 in ADM

## Personnel Benefits

Allotment	2019-20 Budget	2020-21 Budget	% of 20-21 Allotments
Social Security	351M	360M	3.7%
State Retirement	851M	1.03B	10.4%
Medical Insurance	545M	579M	6.0%
Short-term Disability	10M	9M	0.1%
Longevity	25M	25M	0.3%
Annual Leave	43M	45M	0.5%
Workers Comp	57M	54M	0.6%
Unemployment	4.8M	8M	0.1%

Personnel benefits are provided based on the number of positions, and the requirements of the specific benefit

## Questions?

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