Fiscal Research Website

This presentation is available at the FRD website:

http://www.ncleg.net/fiscalresearch/topics_of_interest/topics.shtml
Agenda

1. How are our public schools funded?

2. How are State funds spent in our schools?

3. What were the biggest budget issues last biennium?

4. How are our schools doing?

5. What are the major public schools funding issues in this biennium?
North Carolina Public School Funding
NC Public Schools Funding Responsibility

Per General Statutes 115C-408(b):

“…It is the policy of the State of North Carolina to provide from State revenue sources the instructional expenses for current operations of the public school system as defined in the standard course of study.

It is the policy of the State of North Carolina that the facilities requirements for a public education system will be met by county governments.”
Distribution of All Public Schools Funding

Source of Public Schools FY 2007-08 Expenditures
(Child Nutrition Included)

- Local: 25.3%
- State: 64.8%
- Federal: 9.9%

Source: Department of Public Instruction (Highlights), Feb. 2009
NC Public Schools—Finance Structure

U.S. Department of Education

North Carolina General Assembly

State Board of Education / Department of Public Instruction

Board of County Commissioners

Local School Administrative Units
State Funding Allotments

- State funds are distributed to Local School Administrative Units (LEAs) via allotments
  - Budget for specific purposes
    - “How the Money Goes Out The Door”

- Allotments provided directly to LEA
  - LEA decides how to allocate funding across its schools
  - LEA may transfer funding amongst most allotments

- Allotments determined by formula
  - Average Daily Membership (ADM) is primary component of most formulas
Average Daily Membership Growth

Allotted ADM
(1999-00 to 2010-11)

1,476,566
1,478,795

1999-00
2000-01
2001-02
2002-03
2003-04
2004-05
2005-06
2006-07
2007-08
2008-09
2009-10
2010-11

PROJECTED
PROJECTED

1,268,870
1,300,000
1,350,000
1,400,000
1,450,000
1,500,000
Allotment Types

• Position Allotments (63% of State Funds)
  – Allocated to LEAs based on ratio of positions to ADM
  – State pays salary and benefits for that position, as determined by the State salary schedule

• Dollar Allotments (15% of State Funds)
  – LEAs are provided a specific dollar amount to use to purchase materials or hire certain personnel

• Categorical Allotments (22% of State Funds)
  – Address specific student populations or instructional challenges not fully met by basic allotments
State General Fund Total for Public Schools

State Public Schools Funding has increased by 42.6% from 2000-01 to 2008-09.

Source: Department of Public Instruction (Highlights), Feb. 2009
State Per-Pupil Public School Funding

State Public School Fund Budget– Dollars per Allotted ADM

State Funding per ADM has increased by 24.6% from 2000-01 to 2008-09.
Other Major State Funding Sources

- Civil Penalties, Fines and Forfeitures
  - Constitutional Requirement
  - Receipt to the State Public School Fund
    - FY 2008-09 Budgeted Amount: $114 million

- Public School Building Capital Fund (ADM Fund)
  - 7.25% of Corporate Income Tax to Counties for school capital purposes based on ADM
North Carolina Education Lottery

FY 2008-09 NCEL Education Program Budget

College Scholarships
$38,550,000 (10%)

More-at-Four
$84,635,709 (22%)

School Construction
$154,200,000 (40%)

Class Size Reduction
$108,114,291 (28%)
Federal Public Schools Funding

• Typically targeted at specific populations
  – Title I: Supports interventions for low-income students
  – IDEA: Funds programs for students with disabilities

Federal Funds Budgeted—FY 2008-09
($1.102 Billion Total)

- Title I & Title V 35%
- Child Nutrition 27%
- IDEA 25%
- Other 11%
- Voc Ed 2%

Source: Department of Public Instruction (Highlights), Feb. 2009
More about State Allotments

• Treatment of Other Entities
  – Charter Schools
    • Public Schools which receive State funding directly (average current operations funding per ADM in host county)
  – Non-public Schools
    • Do not receive State funds but may receive certain Federal funds as required by Federal law
Public School Expenditures
How is State Funding Expended?

• Different Ways to Analyze State Public Schools Funding:
  
  1. Allotment Types
     – Basic
     – Supplemental
     – Pilot Programs
     – Other/Miscellaneous
  
  2. Expenditures
Distribution by Allotment Type

FY 2008-09 State Public Schools Funding
(By Allotment Type)

- **Basic**: $6.8 billion (78%)
- **Supplemental**: $1.5 billion (17%)
- **Pilot Programs**: $0.1 billion (1%)
- **Other**: $0.4 billion (4%)
Basic Allotments

- Funding directed on behalf of every student

<table>
<thead>
<tr>
<th>Category/Allotment</th>
<th>Dollars</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Allotments</td>
<td>6,758,542,540</td>
<td>77.24%</td>
</tr>
<tr>
<td>Classroom Teachers</td>
<td>2,981,620,930</td>
<td>34.07%</td>
</tr>
<tr>
<td>Teacher Assistants</td>
<td>519,306,120</td>
<td>5.93%</td>
</tr>
<tr>
<td>Instructional Support</td>
<td>364,012,210</td>
<td>4.16%</td>
</tr>
<tr>
<td>School Building Administration</td>
<td>263,766,062</td>
<td>3.01%</td>
</tr>
<tr>
<td>Central Office Administration</td>
<td>121,005,235</td>
<td>1.38%</td>
</tr>
<tr>
<td>Noninstructional Support Personnel</td>
<td>411,316,199</td>
<td>4.70%</td>
</tr>
<tr>
<td>Personnel Benefits (Soc Sec, Retirement, Hospitalization, Longevity, Short Term Disability, Annual)</td>
<td>1,001,306,308</td>
<td>11.44%</td>
</tr>
<tr>
<td>Supplies/Materials/Equipment</td>
<td>87,441,858</td>
<td>1.00%</td>
</tr>
<tr>
<td>Textbooks</td>
<td>100,652,409</td>
<td>1.15%</td>
</tr>
<tr>
<td>Transportation</td>
<td>425,451,364</td>
<td>4.86%</td>
</tr>
<tr>
<td>School Bus Replacement</td>
<td>67,185,907</td>
<td>0.77%</td>
</tr>
<tr>
<td>Vocational Education</td>
<td>391,767,994</td>
<td>4.48%</td>
</tr>
<tr>
<td>Mentor Teachers</td>
<td>11,164,616</td>
<td>0.13%</td>
</tr>
<tr>
<td>Staff Development (K-12)</td>
<td>12,545,328</td>
<td>0.14%</td>
</tr>
</tbody>
</table>
Supplemental Allotments

- Targeted funding directed on behalf of specific student groups or LEAs with certain characteristics

<table>
<thead>
<tr>
<th>Category/Allotment</th>
<th>Dollars</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplemental Allotments</td>
<td>1,521,075,347</td>
<td>17.38%</td>
</tr>
<tr>
<td>Children with Special Needs</td>
<td>690,372,313</td>
<td>7.89%</td>
</tr>
<tr>
<td>Academically or Intellectually Gifted Students</td>
<td>68,692,939</td>
<td>0.79%</td>
</tr>
<tr>
<td>At Risk Student Services</td>
<td>227,057,290</td>
<td>2.59%</td>
</tr>
<tr>
<td>Improving Student Accountability</td>
<td>38,339,798</td>
<td>0.44%</td>
</tr>
<tr>
<td>Disadvantaged Student Supplemental Funding</td>
<td>77,095,605</td>
<td>0.88%</td>
</tr>
<tr>
<td>Low Wealth Supplemental Funding</td>
<td>199,831,203</td>
<td>2.28%</td>
</tr>
<tr>
<td>Small County Supplemental Funding</td>
<td>45,189,185</td>
<td>0.52%</td>
</tr>
<tr>
<td>Limited English Proficiency</td>
<td>71,499,800</td>
<td>0.82%</td>
</tr>
<tr>
<td>Incentive Pay (ABC Bonus)</td>
<td>90,000,000</td>
<td>1.03%</td>
</tr>
<tr>
<td>School-Based Child and Family Support Teams</td>
<td>12,997,214</td>
<td>0.15%</td>
</tr>
</tbody>
</table>
Pilot Programs

- Targeted funding designed to address a specific issue or condition

<table>
<thead>
<tr>
<th>Pilot Programs/Initiatives</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Breakfast Program</td>
<td>2,120,745</td>
<td>0.02%</td>
</tr>
<tr>
<td>Literacy Coaches</td>
<td>12,209,120</td>
<td>0.14%</td>
</tr>
<tr>
<td>Learn and Earn and Learn and Earn Online</td>
<td>21,628,008</td>
<td>0.25%</td>
</tr>
<tr>
<td>Small Specialty High School</td>
<td>7,239,800</td>
<td>0.08%</td>
</tr>
<tr>
<td>Critical Foreign Language Pilots</td>
<td>500,000</td>
<td>0.01%</td>
</tr>
<tr>
<td>Connectivity</td>
<td>22,000,000</td>
<td>0.25%</td>
</tr>
<tr>
<td>Child Obesity Pilot</td>
<td>500,000</td>
<td>0.01%</td>
</tr>
<tr>
<td>Dropout Prevention Grants</td>
<td>15,000,000</td>
<td>0.17%</td>
</tr>
<tr>
<td>Focused Education Reform Pilot Program</td>
<td>4,833,728</td>
<td>0.06%</td>
</tr>
<tr>
<td>School Technology Pilot</td>
<td>1,500,000</td>
<td>0.02%</td>
</tr>
<tr>
<td>Education Value Added Assessment System (EVAAS)</td>
<td>845,000</td>
<td>0.01%</td>
</tr>
<tr>
<td>Salary Supplement Pilot for Math and Science Teachers</td>
<td>515,115</td>
<td>0.01%</td>
</tr>
</tbody>
</table>
Types of Expenditures

FY 2007-08 State Public School Fund Expenditures

Salaries & Benefits (90.1%)

Transportation (4.6%)

Supplies & Materials (4.6%)

Staff Development (0.2%)

School Technology (0.5%)

Source: Department of Public Instruction, Feb. 2009
Major Budget Actions: 2007-08 and 2008-09
Major Budget Actions: 2007-08 and 2008-09

Compensation 2007-08

• Teachers
  – $1,240 flat increase (avg. 5%) $188.4 mil.
  – Addition of 32\textsuperscript{nd} step $9.9 mil.
  – Step 0 sign-on bonus ($250) $1.0 mil.
  – ABCs $100.5 mil.

• SBAs
  – Average raise 4.44% $11.6 mil.
  – 2% top-of-range bonus $0.7 mil.

• Noncertified
  – 4% increase $53.4 mil.
  – TAs at Step 56 $1.2 mil.
Major Budget Actions: 2007-08 and 2008-09

Compensation 2008-09

• Teachers
  – Steps 0-2: $680 flat increase (avg. 3%) $110.6 mil.
  – Steps 3-31: $470 flat increase
  – 1.8% top-of-range bonus $7.4 mil.
  – ABCs $94.2 mil.

• SBAs
  – Average raise 2.69% $9.3 mil.
  – 2% top-of-range bonus $.72 mil.

• Noncertified
  – Greater of $1,100 or 2.75% $73.5 mil.
Major Budget Actions: 2007-08 and 2008-09

Targeted Initiatives

• More at Four
  – Additional $86 million over biennium
  – Brings total funding to $170.6 million

• Disadvantaged Student Supplemental Funding
  – Additional $23.6 million over biennium
  – Brings total funding to $75.4 million

• Children With Disabilities
  – Additional $11.2 million over biennium
  – Brings total funding to $639 million
  – Increased per student funding by 14%
Targeted Initiatives

- School Connectivity
  - New program: $22 million in 08-09

- Learn & Earn
  - Added 22 new schools over biennium

- Learn & Earn Online
  - New program: $6.5 million
  - Fall 2008 enrollment: 2,521 courses

- Dropout Prevention Grants
  - $22 million in nonrecurring grants over biennium
  - Grants of up to $150,000 provided to 143 organizations
Major Budget Actions: 2007-08 and 2008-09

Lottery

- 2007-08
  - Revised estimated net proceeds from $425 million to $350 million

- 2008-09
  - Revised estimated net proceeds from $350 million to $385.5 million
  - Transferred $19.8 million from Lottery Reserve to maintain K-3 class size at 1:18
  - Of the $154.2 million for construction
    - $140 million distributed via original formula
    - $14.2 million distributed to those not in the “35% pot”
### Major Budget Actions: 2007-08 and 2008-09

**ABCs**

#### 2007-08

<table>
<thead>
<tr>
<th>Appropriated (Budgeted)</th>
<th>Expenditures</th>
<th>% of Schools Making High Growth</th>
<th>% of Schools Making Exp. Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>$70,000,000</td>
<td>$100,548,912</td>
<td>24.3%</td>
<td>47.6%</td>
</tr>
</tbody>
</table>

#### 2008-09

<table>
<thead>
<tr>
<th>Appropriated (Budgeted)</th>
<th>Expenditures</th>
<th>% of Schools Making High Growth</th>
<th>% of Schools Making Exp. Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>$90,000,000</td>
<td>$94,235,612*</td>
<td>55.2%</td>
<td>26.8%</td>
</tr>
</tbody>
</table>

- Uncapped cost: $134.1 million
- SBE pro-rated bonuses by 70%
How Are We Doing?
Educational Outcomes

NAEP Fourth-Grade Math Results

Percent Scoring At or Above Basic

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S.</th>
<th>SREB</th>
<th>NC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>79%</td>
<td>74%</td>
<td>76%</td>
</tr>
<tr>
<td>2005</td>
<td>83%</td>
<td>79%</td>
<td>81%</td>
</tr>
<tr>
<td>2007</td>
<td>85%</td>
<td>81%</td>
<td>85%</td>
</tr>
</tbody>
</table>
Educational Outcomes

NAEP Eighth-Grade Reading Results

Percent Scoring At or Above Basic

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S.</th>
<th>SREB</th>
<th>NC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>72%</td>
<td>72%</td>
<td>71%</td>
</tr>
<tr>
<td>2005</td>
<td>71%</td>
<td>69%</td>
<td>71%</td>
</tr>
<tr>
<td>2007</td>
<td>73%</td>
<td>71%</td>
<td>71%</td>
</tr>
</tbody>
</table>
Educational Outcomes

NAEP Eighth-Grade Math Results

Percent Scoring At or Above Basic

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S.</th>
<th>SREB</th>
<th>NC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>67%</td>
<td>72%</td>
<td>72%</td>
</tr>
<tr>
<td>2005</td>
<td>68%</td>
<td>72%</td>
<td>70%</td>
</tr>
<tr>
<td>2007</td>
<td>67%</td>
<td>73%</td>
<td>70%</td>
</tr>
</tbody>
</table>
Public High School Graduation Rates: 2006

- **US Avg.** 70.6%
- **NC** 67.0%
- **NJ** 83.3%
- **NV** 45.4%

**Source:** Editorial Projects in Education Research Center, *Diplomas Count 2008*
Educational Outcomes

College-Going Rate by State: 2006

Source: The National Center for Higher Education Management Systems
## Who Are We Teaching?

### Percent of Children from Families in Poverty and Low-Income Families, 2006

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>SREB</th>
<th>NC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty</td>
<td>18%</td>
<td>23%</td>
<td>20%</td>
</tr>
<tr>
<td>Low Income</td>
<td>33%</td>
<td>39%</td>
<td>34%</td>
</tr>
</tbody>
</table>

### Source:
Issues for 2009 Budget
Issues for 2009 Budget

Many Unknowns

- How big is the shortfall?
- Continuation Budget/Governor’s Budget
- American Recovery and Reinvestment Act
- Budget drivers
  - Unavoidable – ADM
  - Discretionary – teacher salaries, class sizes
Issues for 2009 Budget

08-09 Revenue vs. 08-09 Targets

- Governor required return of $158 million of 08-09 public schools appropriations (approx. 2%)
  - $58 million from LEAs (approx. 0.75%)
Issues for 2009 Budget

Continuation/Governor’s Budget

• OSBM asked DPI for reduction options of
  – 3% ($245 million)
  – 5% ($407 million)
  – 7% ($572 million)

• Unclear which cuts, if any will appear

• Details at:
  http://www.dpi.state.nc.us/docs/fbs/budgetreducti
  noptions.xls

Note: all scenarios included
cuts to personnel
Issues for 2009 Budget

Budget Drivers - ADM

Allotted ADM
(1999-00 to 2010-11)

1999-00 1,268,870
2000-01 1,300,000
2001-02 1,330,000
2002-03 1,350,000
2003-04 1,380,000
2004-05 1,400,000
2005-06 1,420,000
2006-07 1,440,000
2007-08 1,464,914
2008-09 1,476,566
2009-10 1,464,914
2010-11 1,478,795

PROJECTED

Fiscal Research Division
A Staff Agency of the North Carolina General Assembly

February 18, 2009
Issues for 2009 Budget

Budget Drivers – Teacher Compensation

Average Teacher Compensation

$30,000 $35,000 $40,000 $45,000 $50,000

$36,883 $39,419 $41,496 $42,411 $43,211 $43,343 $43,922 $46,137 $47,633 $48,648

## Issues for 2009 Budget

### Budget Drivers – Class-size Ratios

<table>
<thead>
<tr>
<th>2008-09 Grade Spans</th>
<th>Teacher Allotment Ratio</th>
<th>Class-Size Average Ratio for the LEA</th>
<th>Individual Class-Size Maximum</th>
<th>Positions Allotted in 2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-3</td>
<td>1:18</td>
<td>1:21</td>
<td>1:24</td>
<td>25,884</td>
</tr>
<tr>
<td>4-6</td>
<td>1:22</td>
<td>1:26</td>
<td>1:29</td>
<td>15,077</td>
</tr>
<tr>
<td>7-8</td>
<td>1:21</td>
<td>1:26</td>
<td>1:29</td>
<td>10,383</td>
</tr>
<tr>
<td>9</td>
<td>1:24.5</td>
<td>1:26</td>
<td>1:29</td>
<td>5,345</td>
</tr>
<tr>
<td>10-12</td>
<td>1:26.64</td>
<td>1:29</td>
<td>1:32</td>
<td>11,101</td>
</tr>
</tbody>
</table>

- Ratios constant or decreasing since at least 1985
- Increasing all class sizes by 1 student saves $170 million
# Issues for 2009 Budget

## Federal Stimulus

**American Recovery and Reinvestment Act**

($ in millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Distributed Immediately</th>
<th>Distributed July 1, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Stabilization - Education</td>
<td>$1,142.8</td>
<td></td>
</tr>
<tr>
<td>Fiscal Stabilization - High Priority</td>
<td>$254.3</td>
<td></td>
</tr>
<tr>
<td>Title I</td>
<td>$169.2</td>
<td>$169.2</td>
</tr>
<tr>
<td>Special Education</td>
<td>$162.5</td>
<td>$162.5</td>
</tr>
<tr>
<td>Education Technology</td>
<td>$8.2</td>
<td>$8.2</td>
</tr>
<tr>
<td>Homeless Assistance</td>
<td>$0.6</td>
<td>$0.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,737.6</strong></td>
<td><strong>$340.5</strong></td>
</tr>
</tbody>
</table>

*Source: Federal Funds Information for States, February 17, 2009*
Questions?