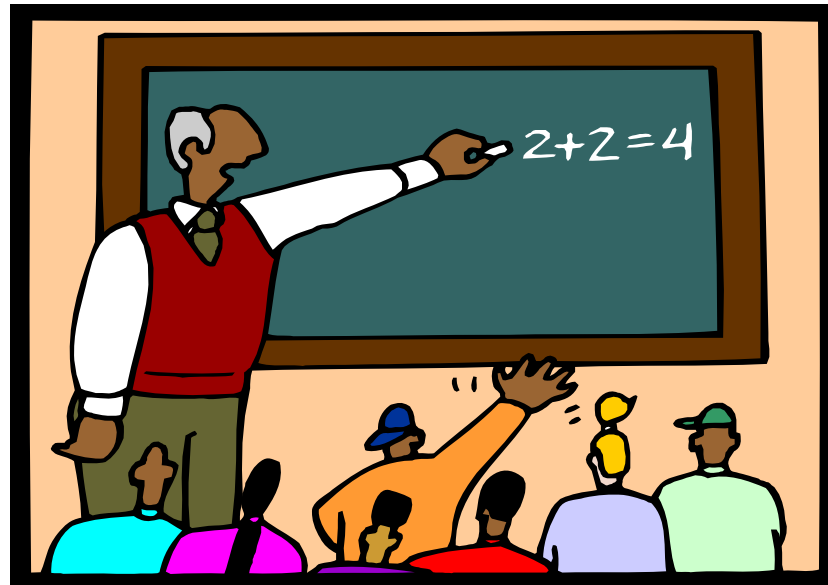
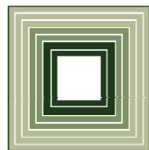


Public Education Funding Overview and Update



Brian Matteson and Kristopher Nordstrom
Fiscal Research Division

February 18, 2009



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

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

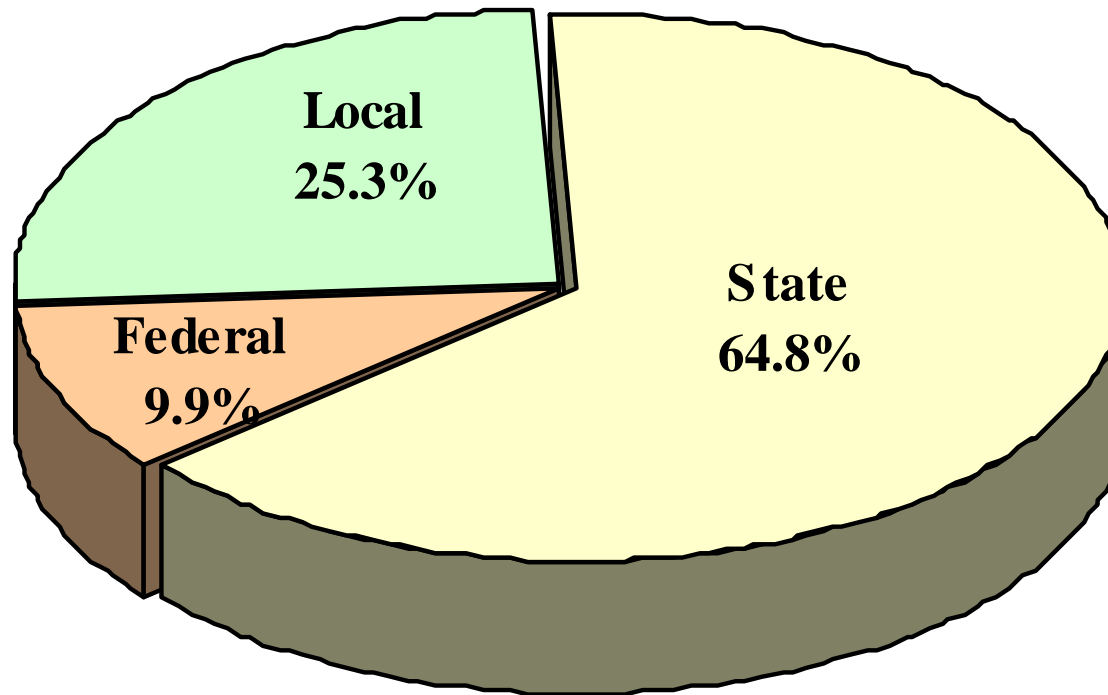
Per General Statutes 115C-408(b):

“...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.**”

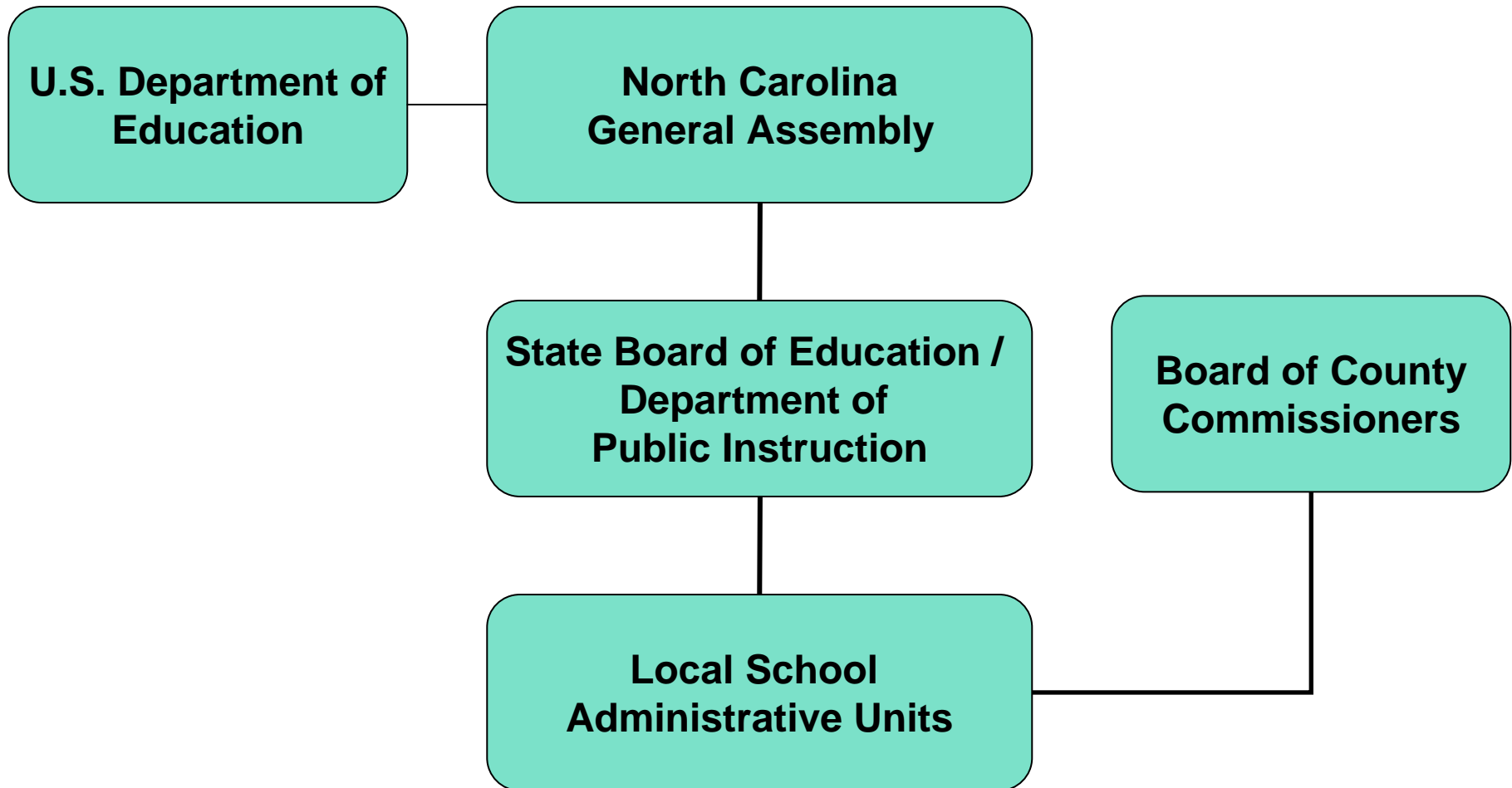
Distribution of All Public Schools Funding

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



Source: Department of Public Instruction (Highlights), Feb. 2009

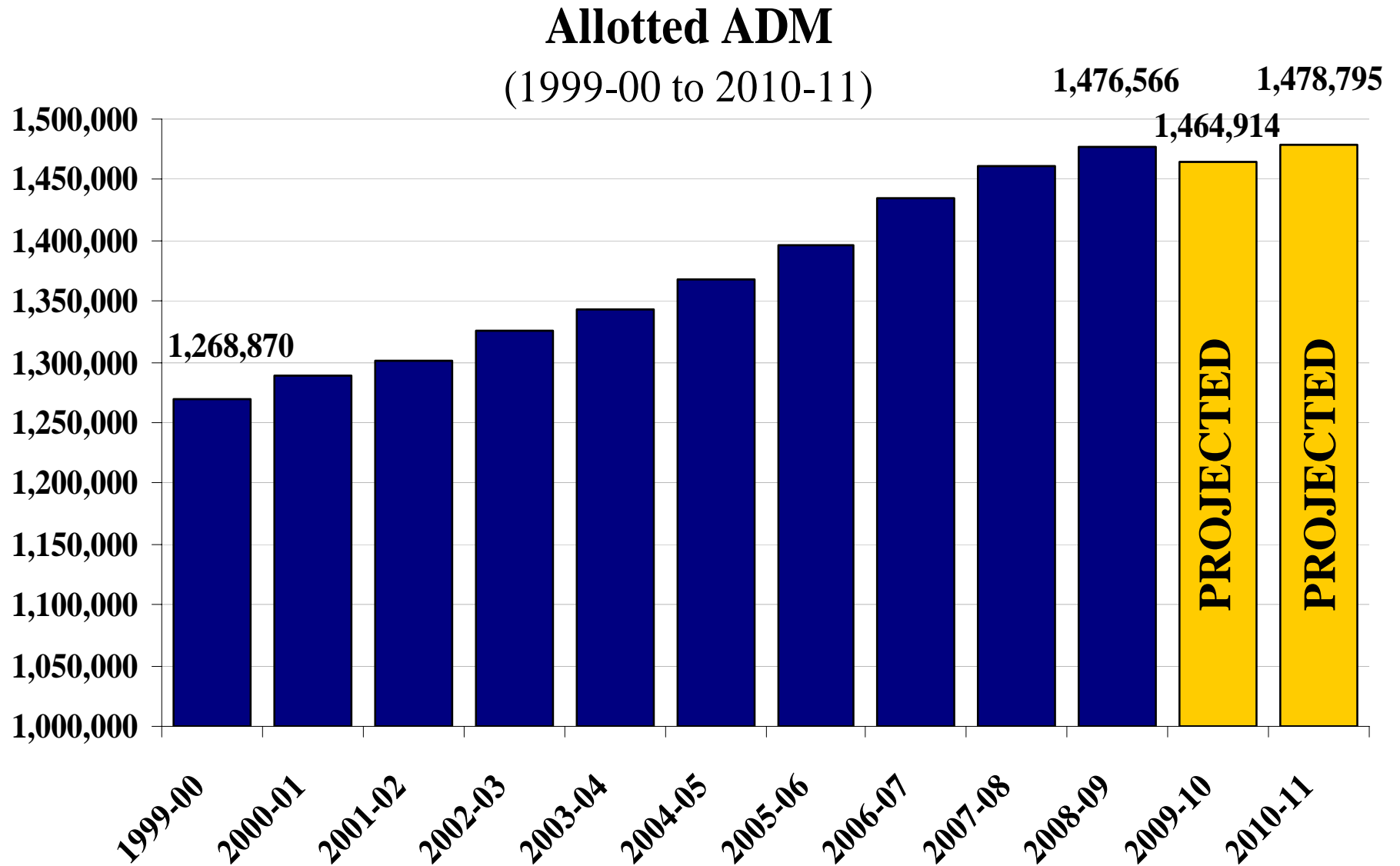
NC Public Schools—Finance Structure



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

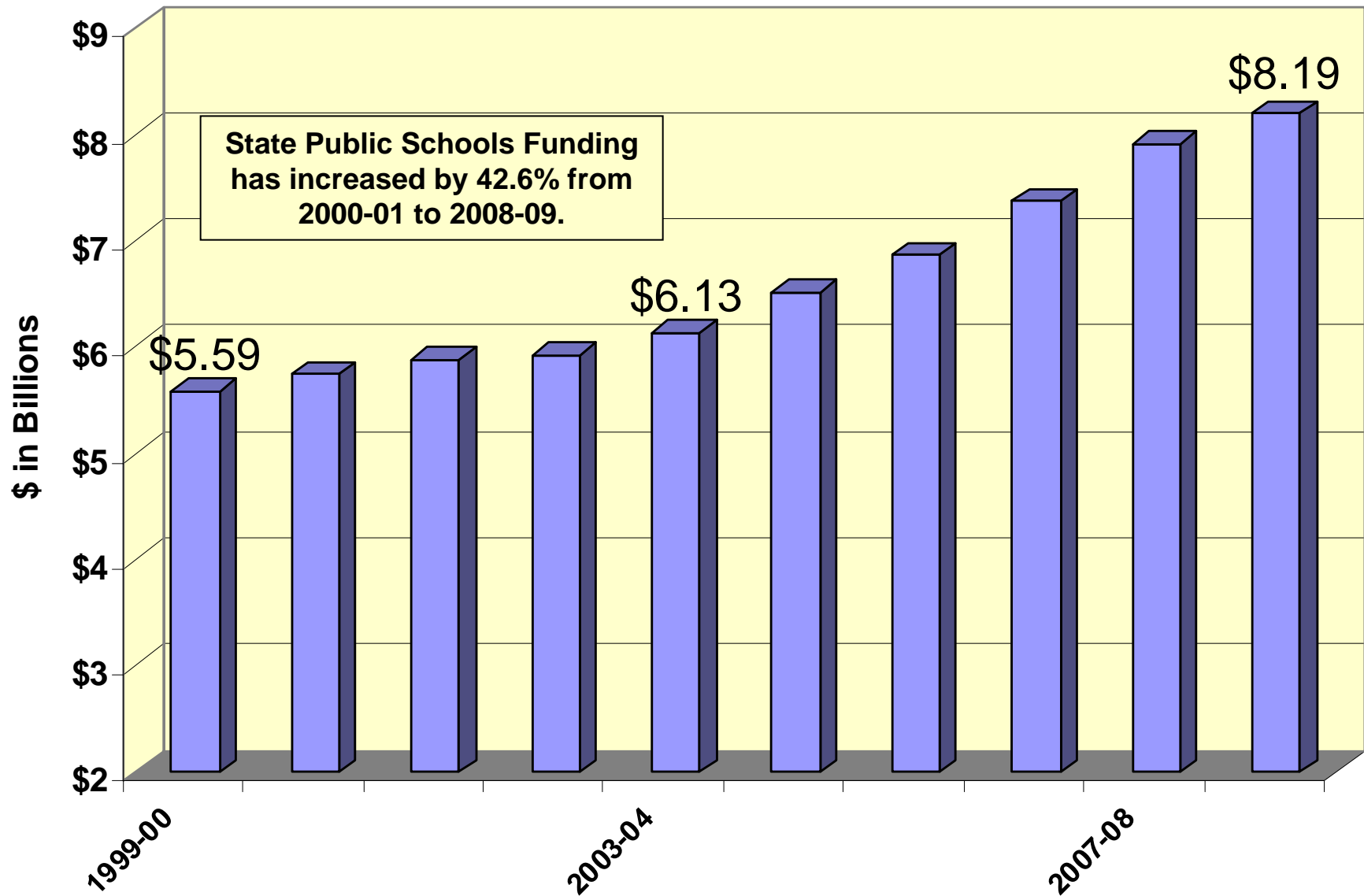
Average Daily Membership Growth



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

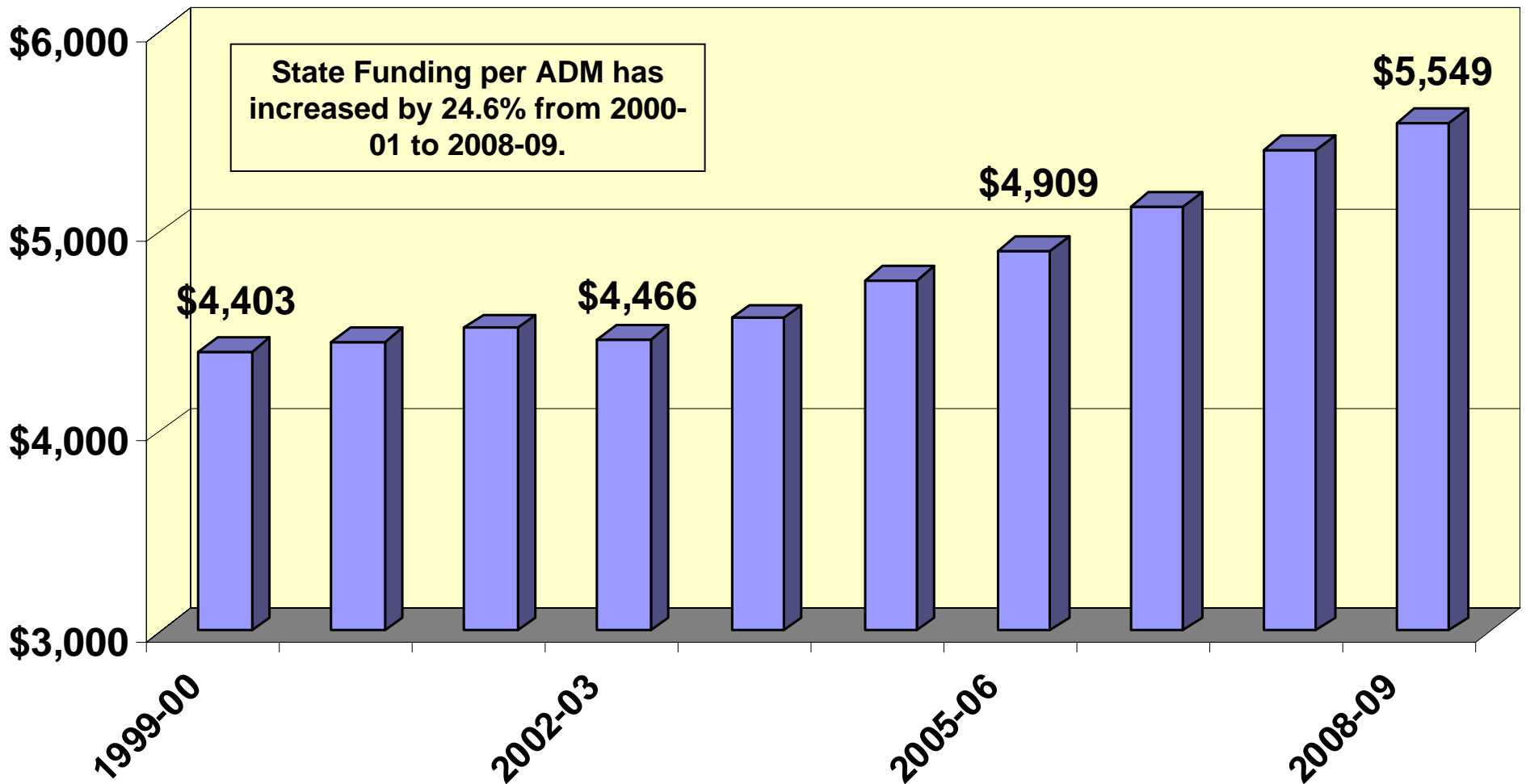
State General Fund Total for Public Schools



Source: Department of Public Instruction (Highlights), Feb. 2009

State Per-Pupil Public School Funding

State Public School Fund Budget– Dollars per Allotted ADM

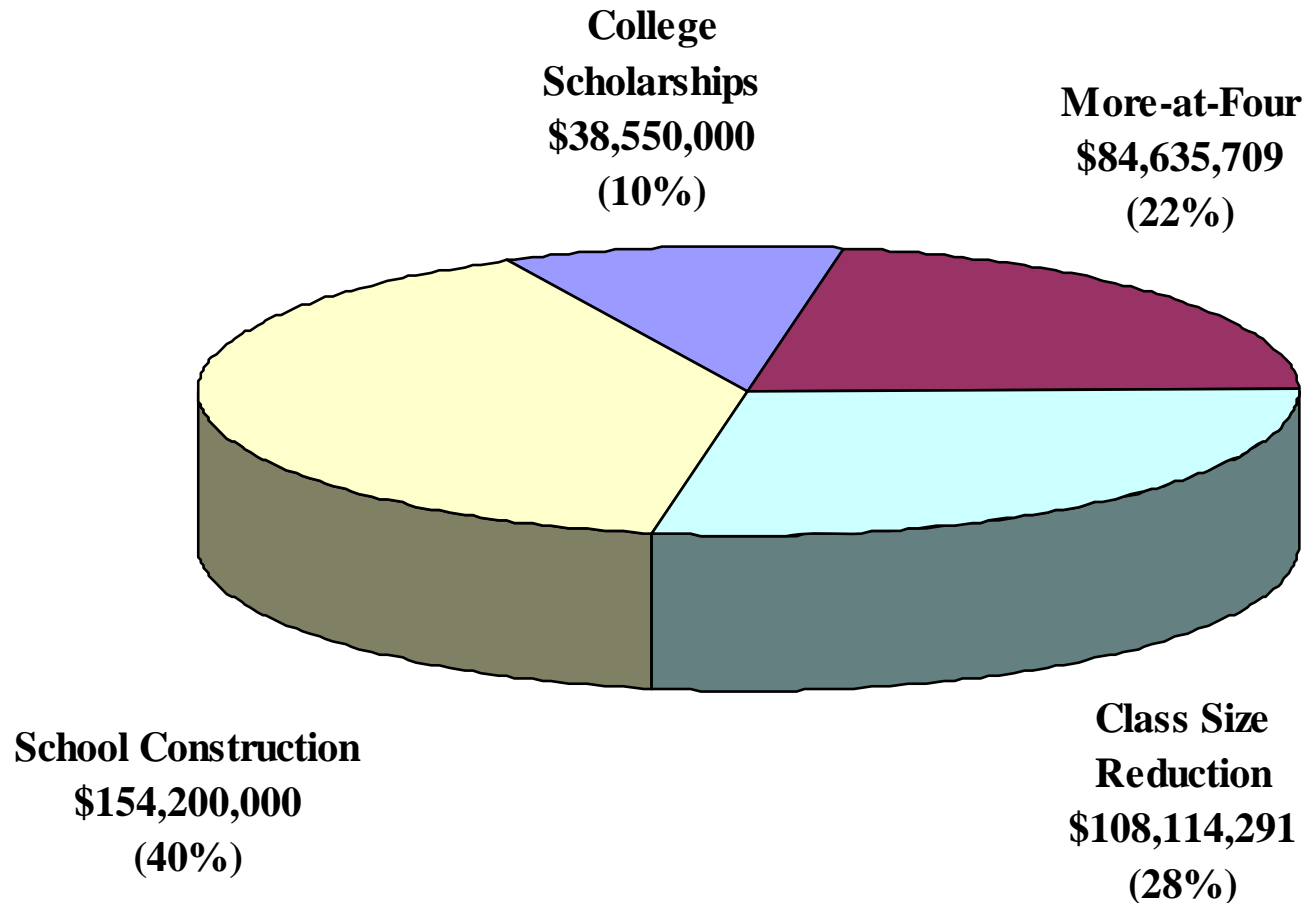


Other Major State Funding Sources

- 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

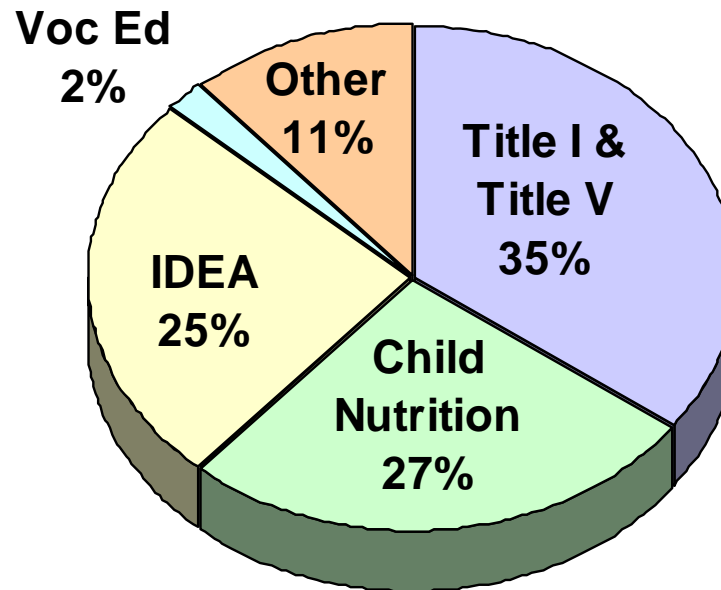
FY 2008-09 NCEL Education Program Budget



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)



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

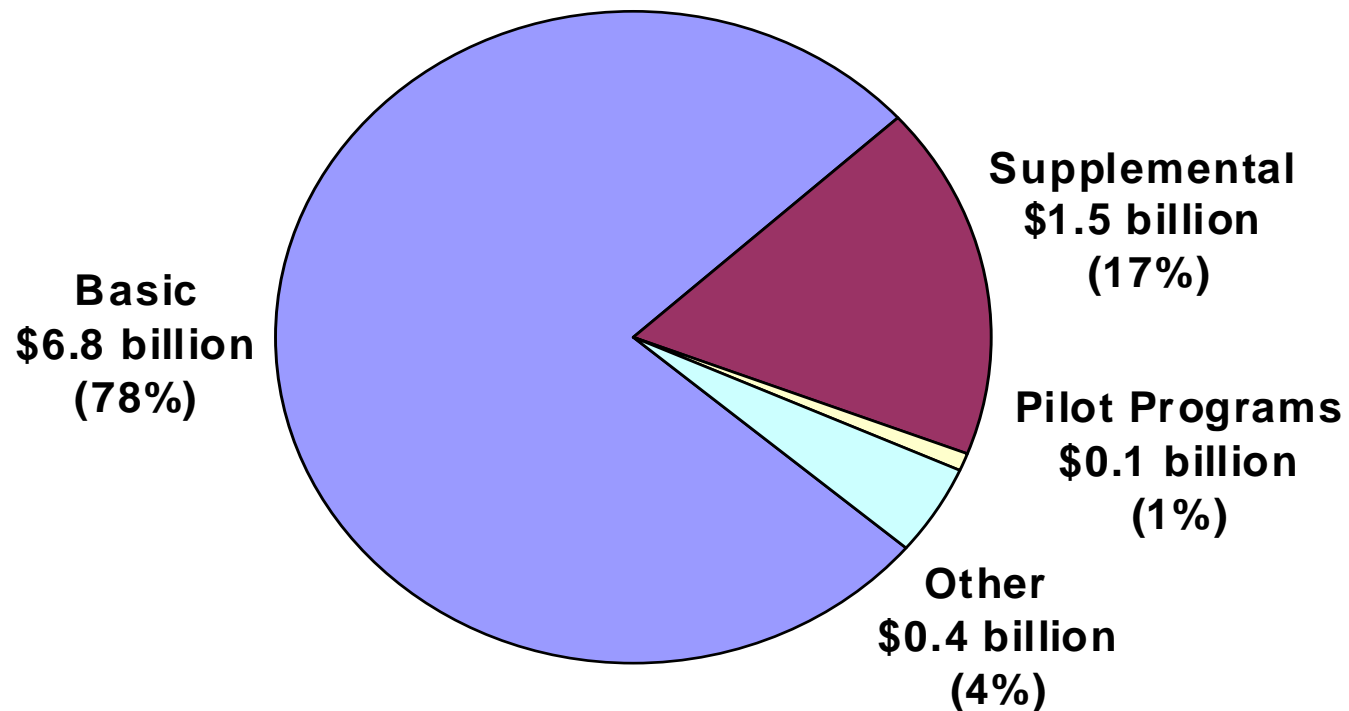
Public School Expenditures

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 Allotments

- Funding directed on behalf of every student

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

Supplemental Allotments

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

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

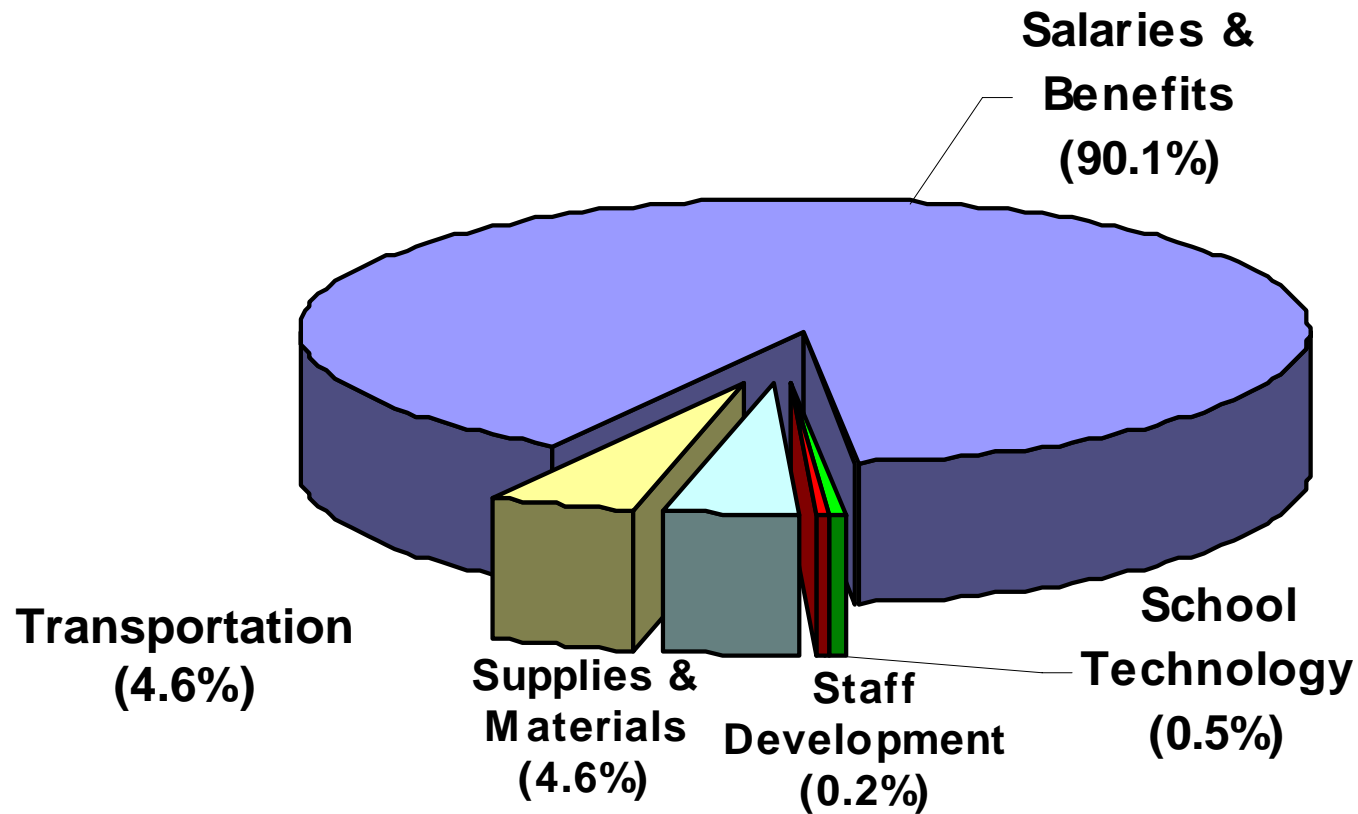
Pilot Programs

- Targeted funding designed to address a specific issue or condition

Pilot Programs/Initiatives	88,891,516	1.02%
School Breakfast Program	2,120,745	0.02%
Literacy Coaches	12,209,120	0.14%
Learn and Earn and Learn and Earn Online	21,628,008	0.25%
Small Specialty High School	7,239,800	0.08%
Critical Foreign Language Pilots	500,000	0.01%
Connectivity	22,000,000	0.25%
Child Obesity Pilot	500,000	0.01%
Dropout Prevention Grants	15,000,000	0.17%
Focused Education Reform Pilot Program	4,833,728	0.06%
School Technology Pilot	1,500,000	0.02%
Education Value Added Assessment System (EVAAS)	845,000	0.01%
Salary Supplement Pilot for Math and Science Teachers	515,115	0.01%

Types of Expenditures

FY 2007-08 State Public School Fund Expenditures



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 32nd 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
 - Steps 3-31: \$470 flat increase

(avg. 3%) \$110.6 mil.

 - 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%

Major Budget Actions: 2007-08 and 2008-09

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

Appropriated (Budgeted)	Expenditures	% of Schools Making High Growth	% of Schools Making Exp. Growth
\$70,000,000	\$100,548,912	24.3%	47.6%

- 2008-09

Appropriated (Budgeted)	Expenditures	% of Schools Making High Growth	% of Schools Making Exp. Growth
\$90,000,000	\$94,235,612*	55.2%	26.8%

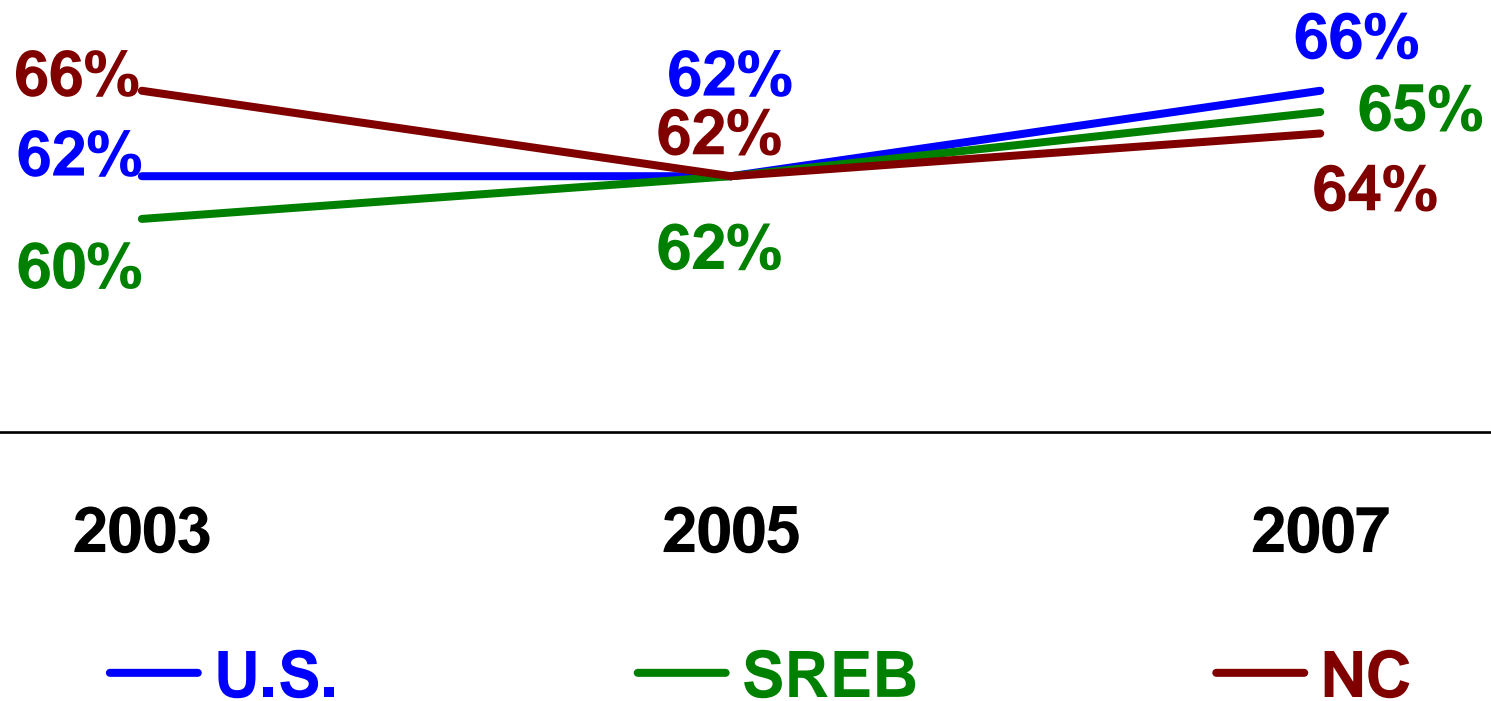
- Uncapped cost: \$134.1 million
- SBE pro-rated bonuses by 70%

How Are We Doing?

Educational Outcomes

NAEP Fourth-Grade Reading Results

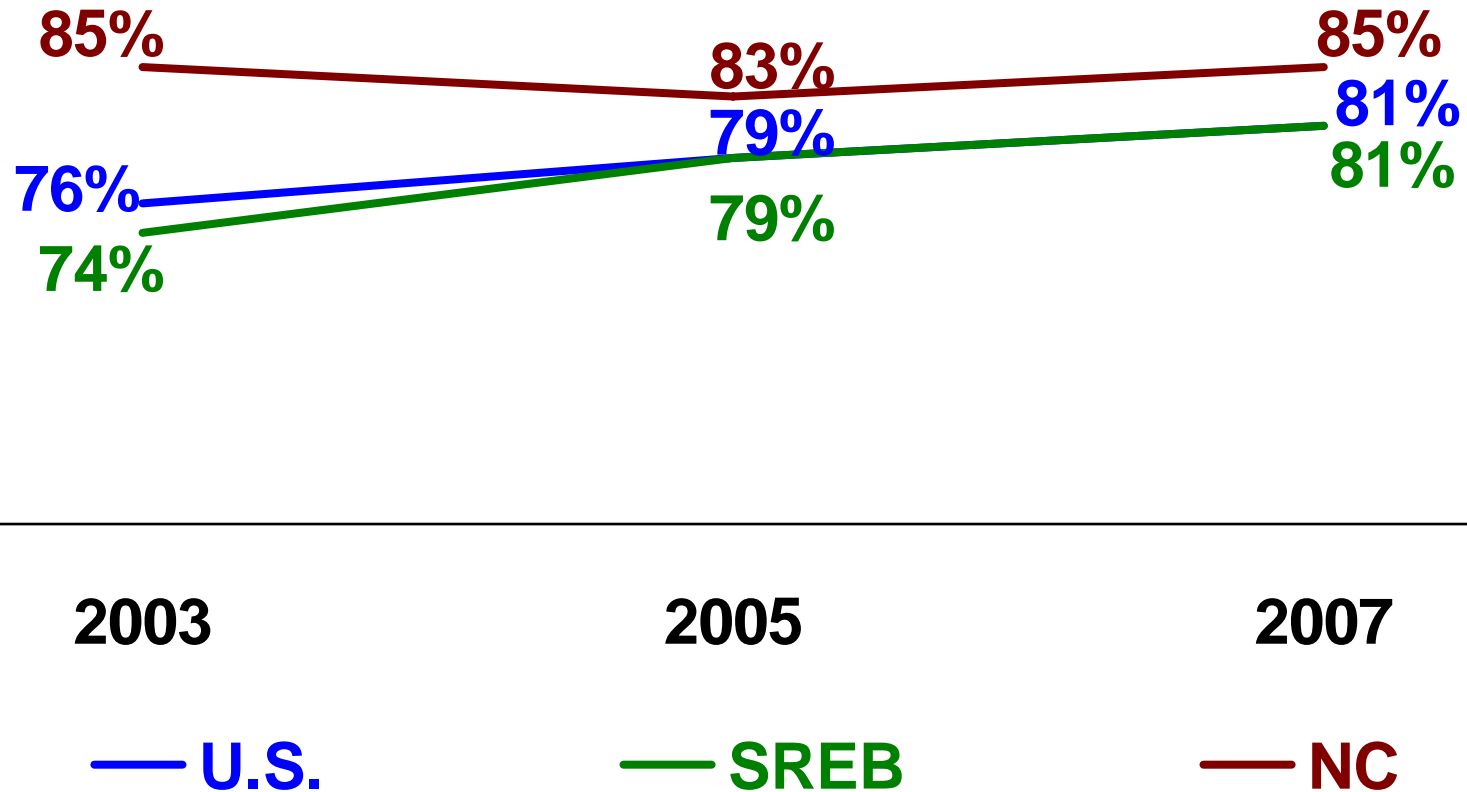
Percent Scoring At or Above Basic



Educational Outcomes

NAEP Fourth-Grade Math Results

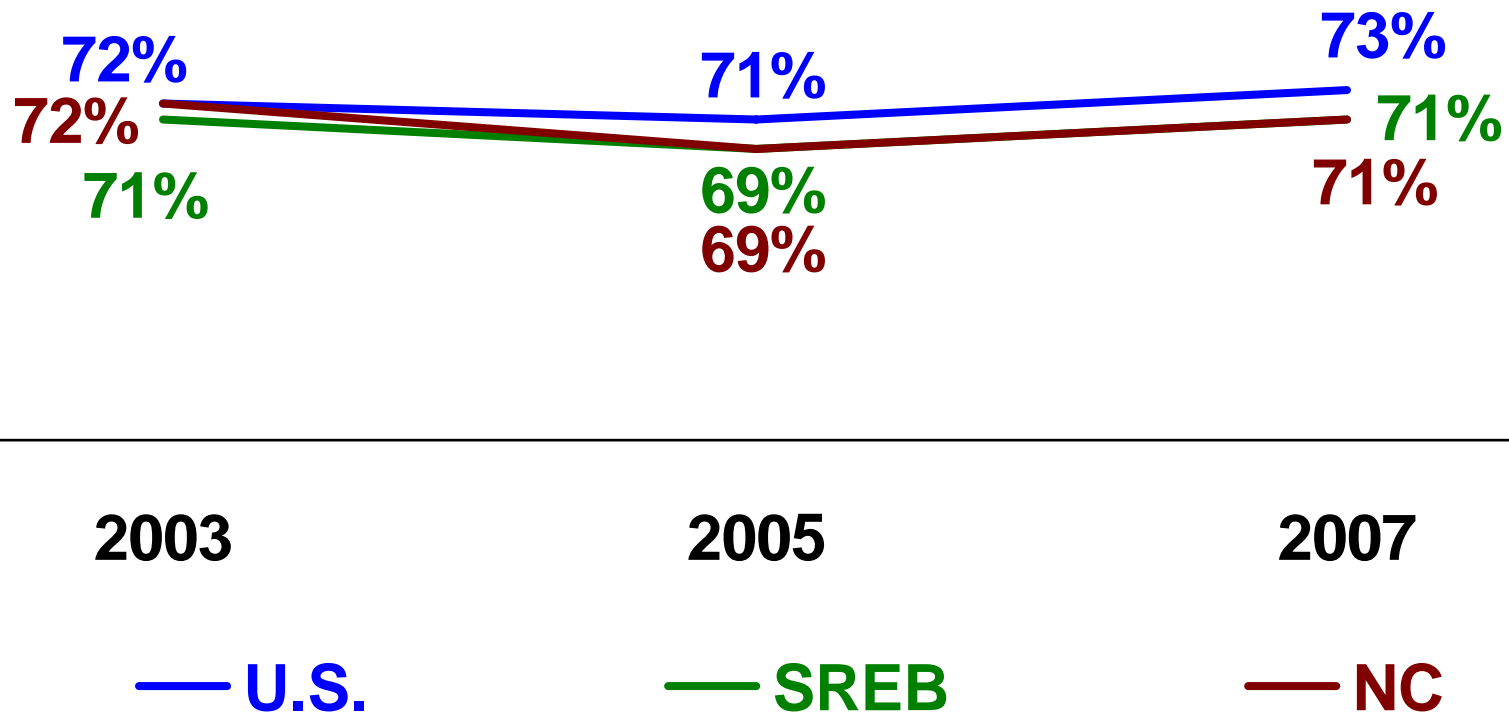
Percent Scoring At or Above Basic



Educational Outcomes

NAEP Eighth-Grade Reading Results

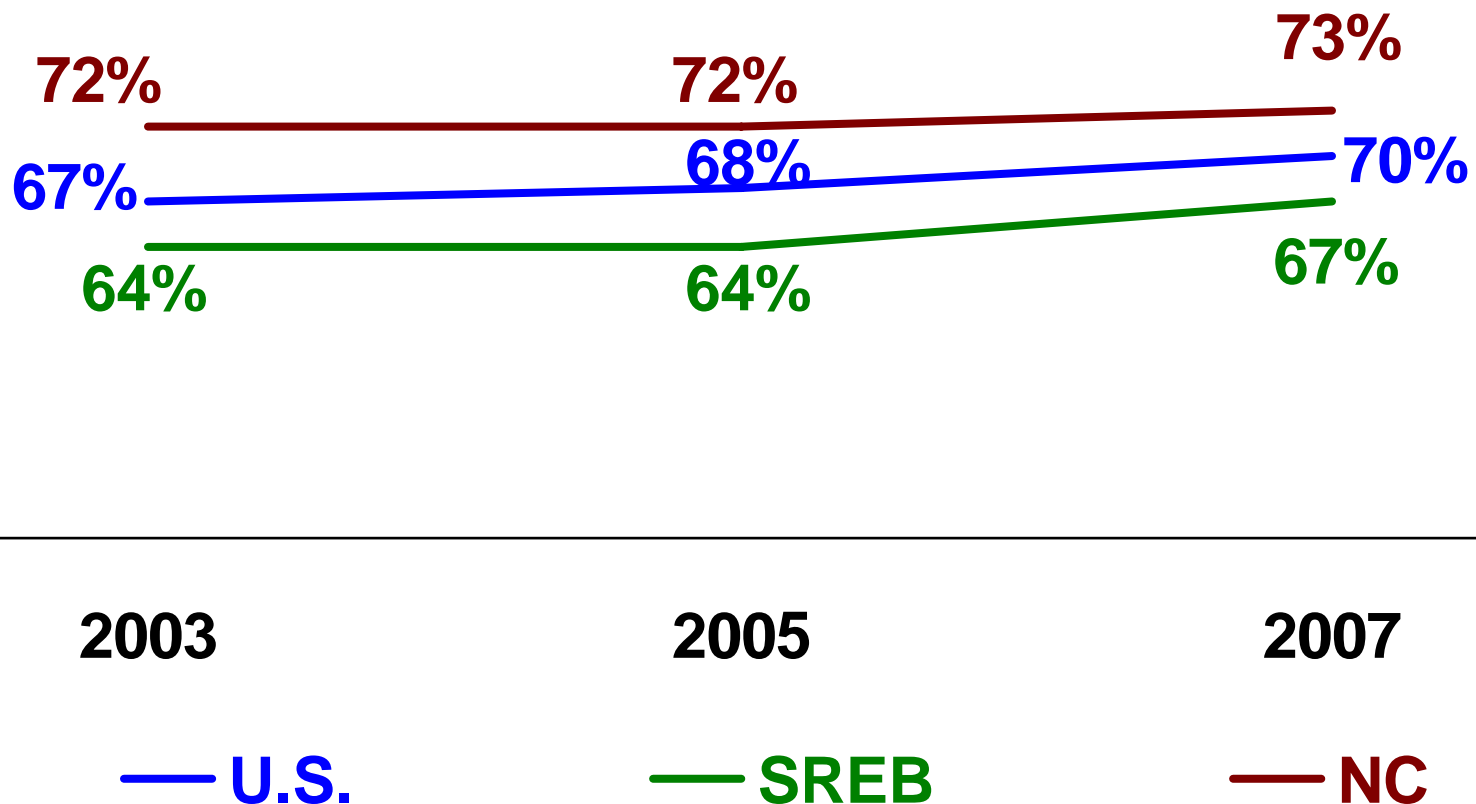
Percent Scoring At or Above Basic



Educational Outcomes

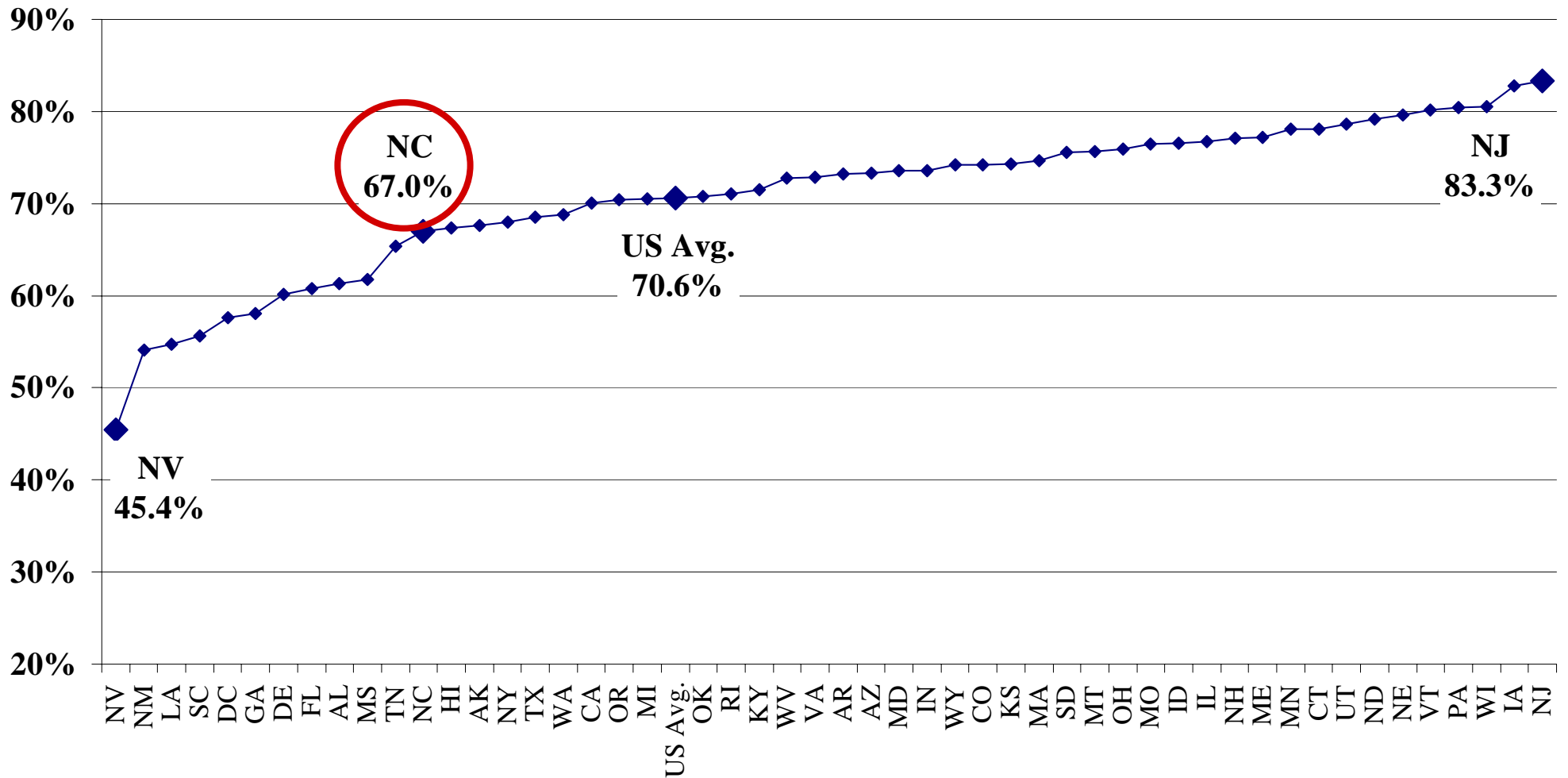
NAEP Eighth-Grade Math Results

Percent Scoring At or Above Basic



Educational Outcomes

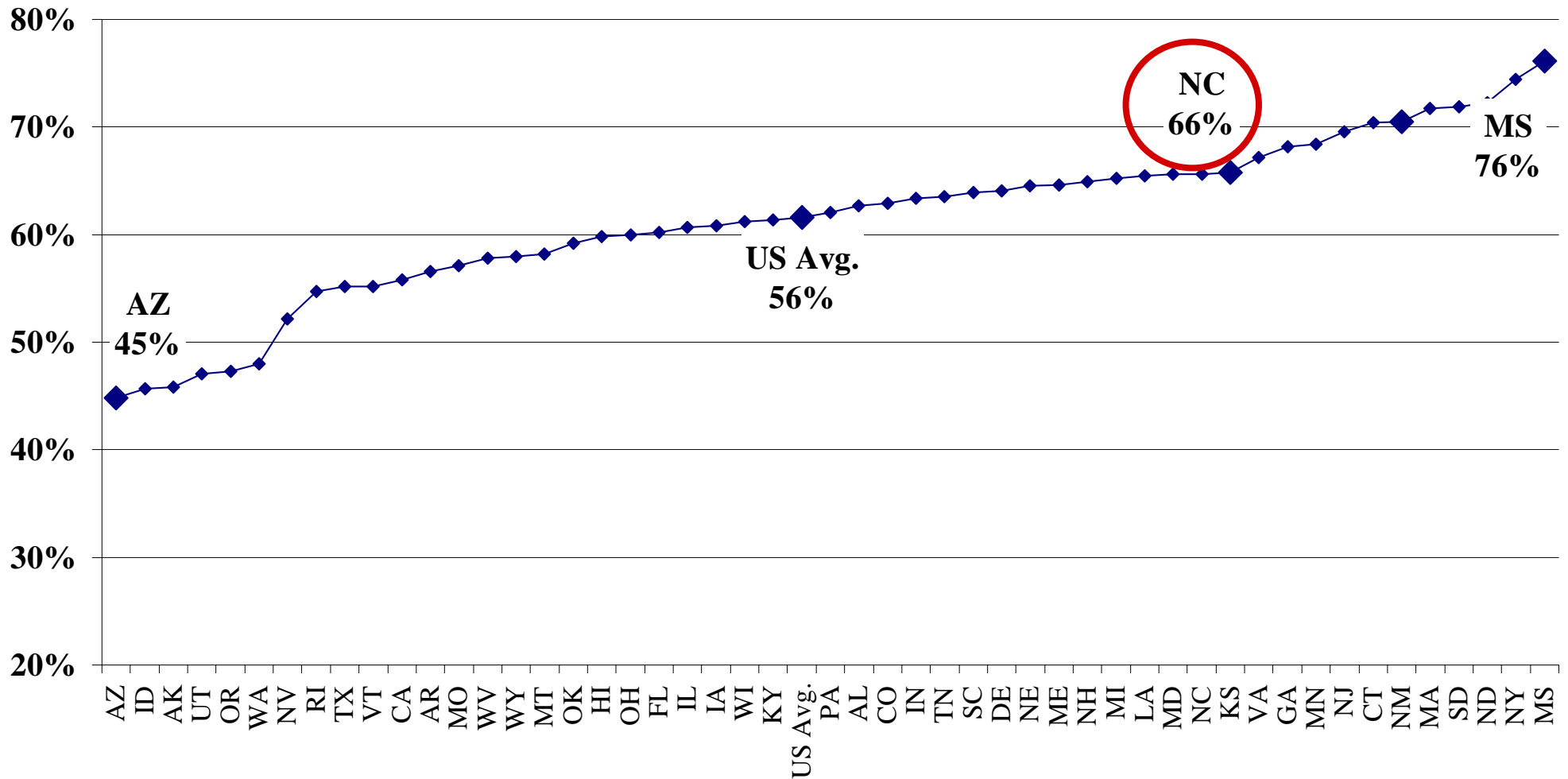
Public High School Graduation Rates: 2006



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

Educational Outcomes

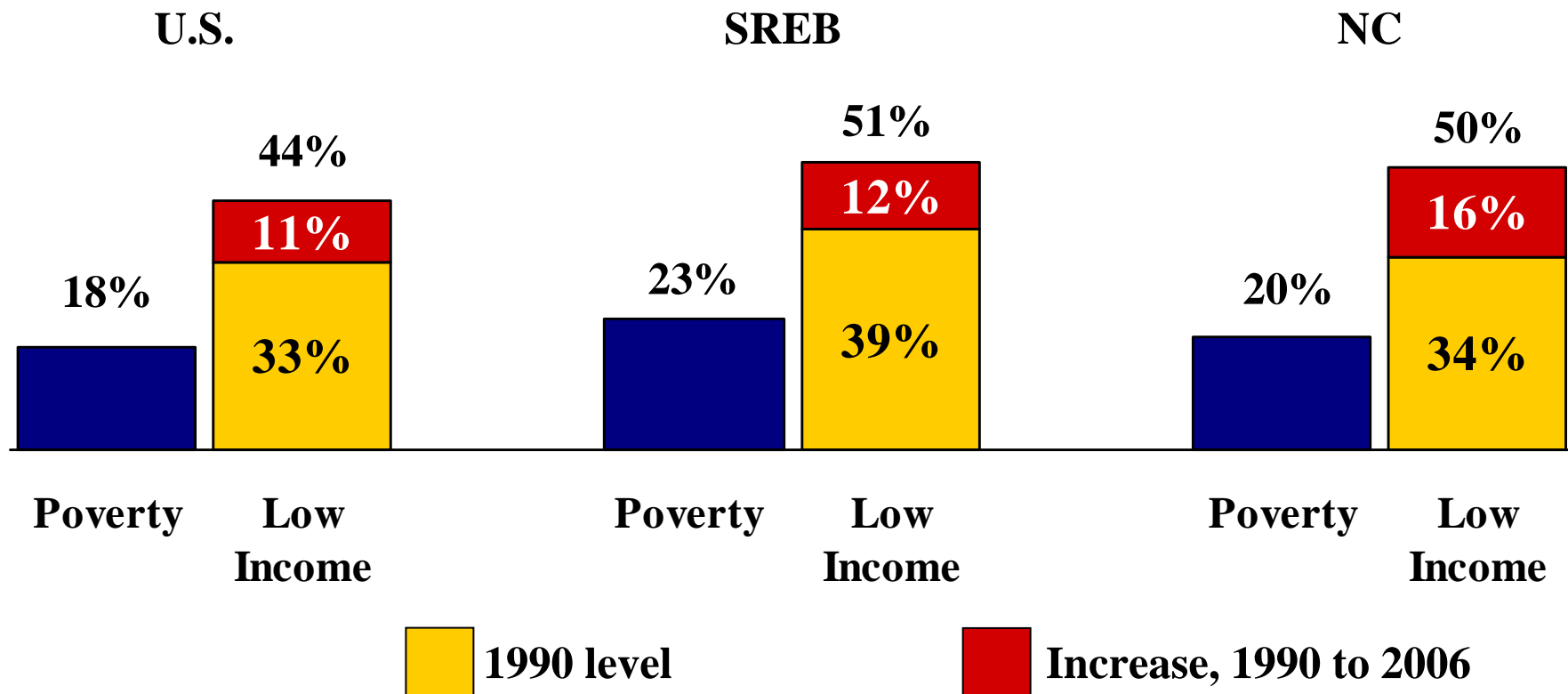
College-Going Rate by State: 2006



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



Source: Southern Region Education Board, *North Carolina On the Move: Progress Report 2008*.

Issues for 2009 Budget

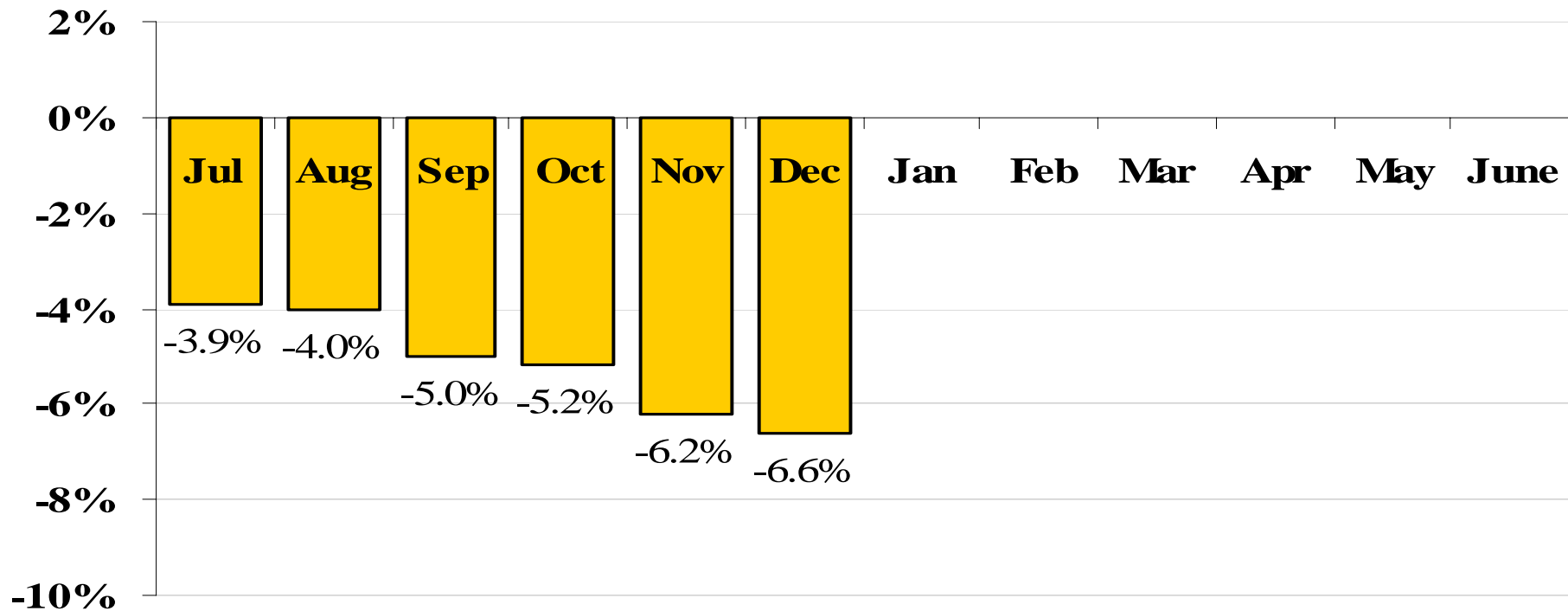
Issues for 2009 Budget

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

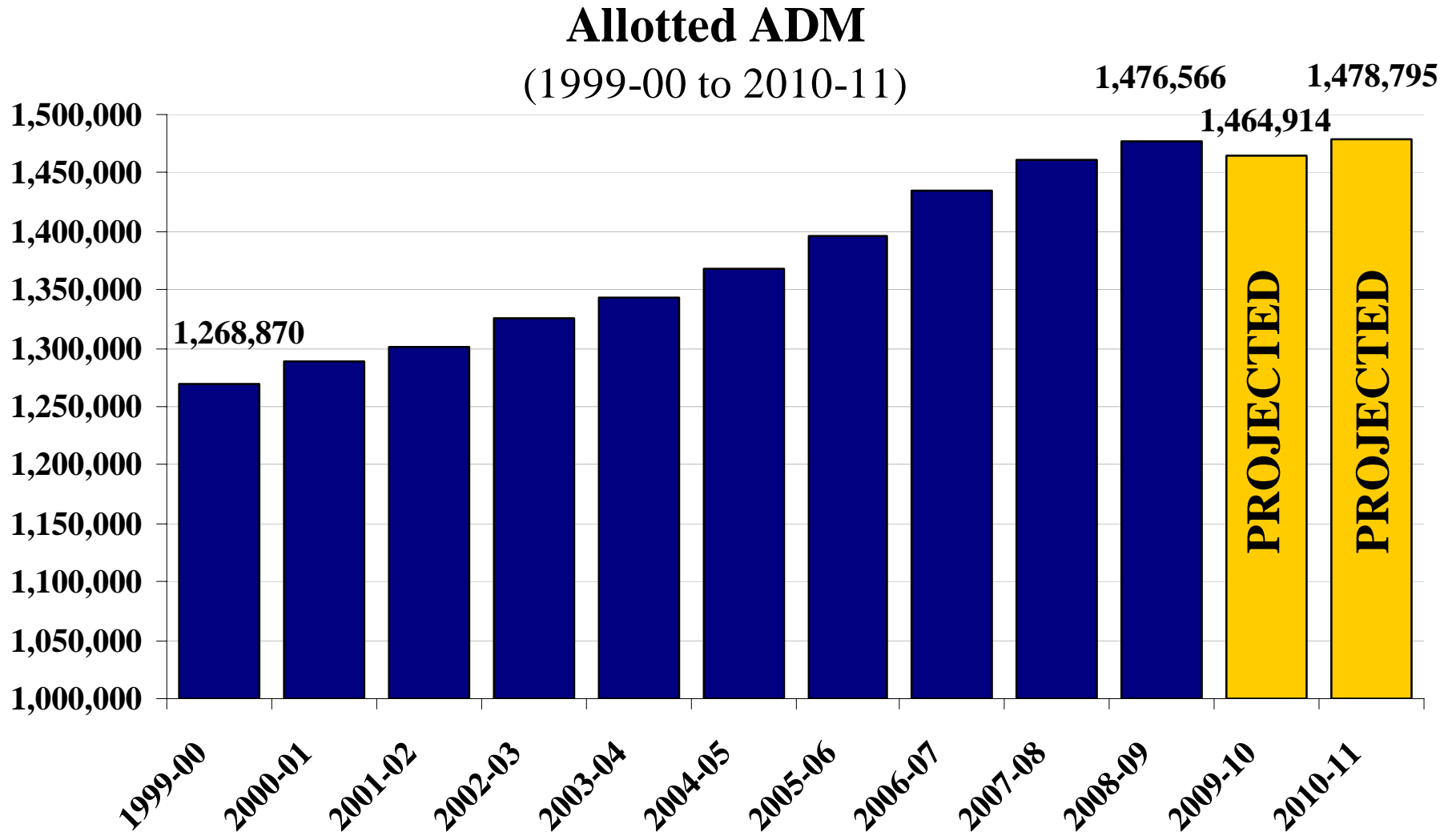
Continuation/Governor's Budget

- 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/budgetreductionoptions.xls>

Note: all scenarios included cuts to personnel

Issues for 2009 Budget

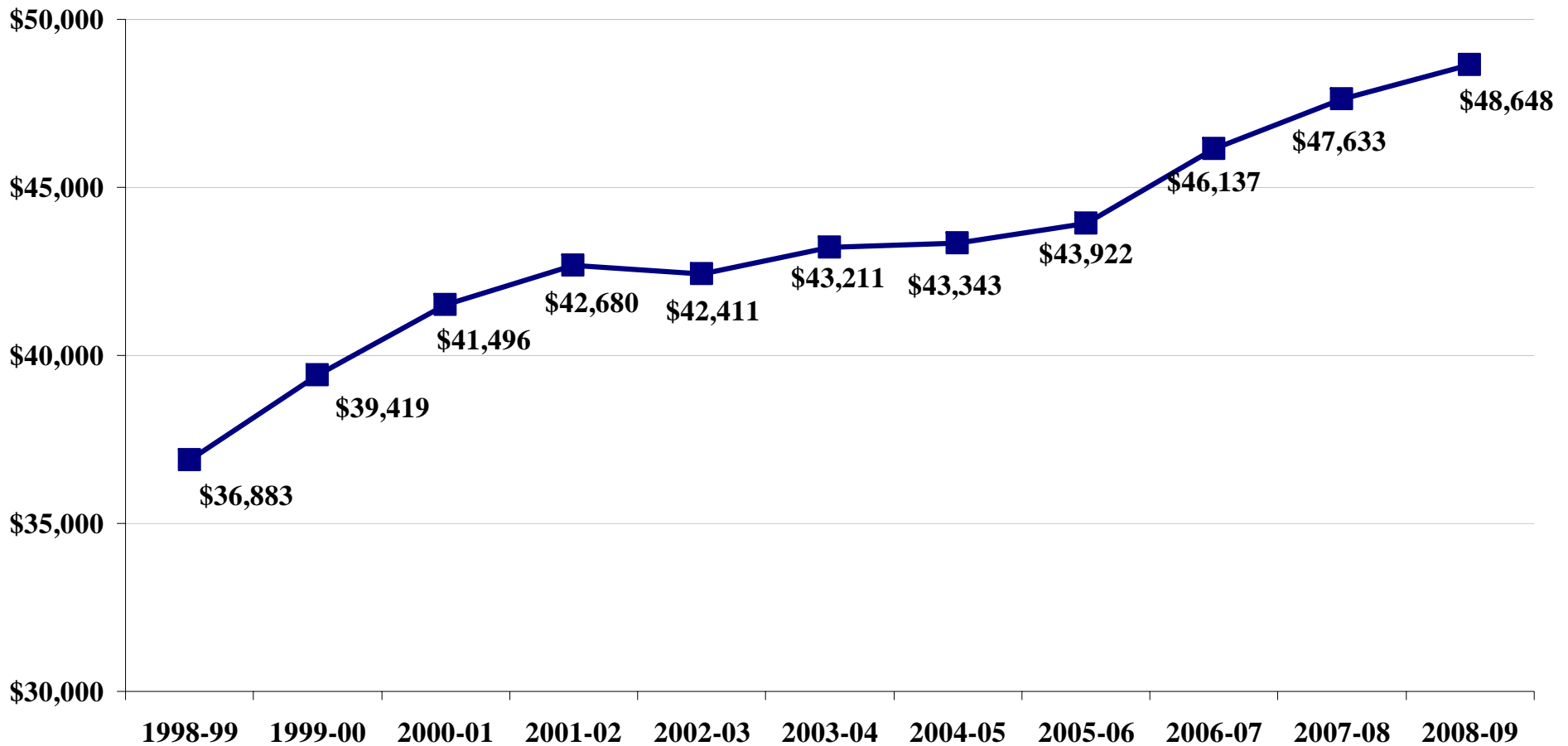
Budget Drivers - ADM



Issues for 2009 Budget

Budget Drivers – Teacher Compensation

Average Teacher Compensation



Issues for 2009 Budget

Budget Drivers – Class-size Ratios

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

- 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)

	Distributed Immediately	Distributed July 1, 2010
Fiscal Stabilization - Education	\$1,142.8	
Fiscal Stabilization - High Priority	\$254.3	
Title I	\$169.2	\$169.2
Special Education	\$162.5	\$162.5
Education Technology	\$8.2	\$8.2
<u>Homeless Assistance</u>	<u>\$0.6</u>	<u>\$0.6</u>
Total	\$1,737.6	\$340.5

Source: Federal Funds Information for States, February 17, 2009

Questions?