

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013

H.B. 853  
Apr 11, 2013  
HOUSE PRINCIPAL CLERK

H

D

HOUSE DRH80209-MKa-102B (03/26)

Short Title: School Funding Formula Changes. (Public)

Sponsors: Representatives Whitmire, West, Queen, and Steinburg (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO MODIFY THE ALLOTMENT FORMULA FOR SMALL SCHOOL SYSTEM  
3 SUPPLEMENTAL FUNDING AND TO DIRECT THE JOINT LEGISLATIVE  
4 EDUCATION OVERSIGHT COMMITTEE TO STUDY OTHER EDUCATION  
5 FUNDING FORMULAS.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.(a)** Funds for Small School Systems. – Except as provided in  
8 subsection (b) of this section, the State Board of Education shall allocate funds appropriated for  
9 small school system supplemental funding to each county school administrative unit with an  
10 average daily membership of fewer than 4,080 students. The allocation formula shall do all of  
11 the following:

- 12 (1) Round all fractions of positions to the next whole position.
- 13 (2) Provide five and one-half additional regular classroom teachers in counties  
14 in which the average daily membership per square mile is greater than four  
15 and provide seven additional regular classroom teachers in counties in which  
16 the average daily membership per square mile is four or fewer.
- 17 (3) Provide additional program enhancement teachers adequate to offer the  
18 standard course of study.
- 19 (4) Change the duty-free period allocation to one teacher assistant per 400  
20 average daily membership.
- 21 (5) Provide a base for the consolidated funds allotment of seven hundred  
22 seventeen thousand three hundred sixty dollars (\$717,360) for the 2013-2014  
23 and 2014-2015 fiscal years.
- 24 (6) Allot vocational education funds for grade 6 as well as for grades 7-12.

25 If funds appropriated for each fiscal year for small school system supplemental  
26 funding are not adequate to fully fund the program, the State Board of Education shall reduce  
27 the amount allocated to each county school administrative unit on a pro rata basis. This formula  
28 is solely a basis for distribution of supplemental funding for certain county school  
29 administrative units and is not intended to reflect any measure of the adequacy of the  
30 educational program or funding for public schools. The formula also is not intended to reflect  
31 any commitment by the General Assembly to appropriate any additional supplemental funds for  
32 such county school administrative units.

33 **SECTION 1.(b)** Nonsupplant Requirement. – A county in which a local school  
34 administrative unit receives funds under this section shall use the funds to supplement local  
35 current expense funds and shall not supplant local current expense funds. For the 2013-2015  
36 fiscal biennium, the State Board of Education shall not allocate funds under this section to a



1 county found to have used these funds to supplant local per student current expense funds. The  
2 State Board of Education shall make a finding that a county has used these funds to supplant  
3 local current expense funds in the prior year or the year for which the most recent data are  
4 available, if the following apply:

- 5 (1) The current expense appropriation per student of the county for the current  
6 year is less than ninety-five percent (95%) of the average of the local current  
7 expense appropriations per student for the three prior fiscal years and
- 8 (2) The county cannot show (i) that it has remedied the deficiency in funding or  
9 (ii) that extraordinary circumstances caused the county to supplant local  
10 current expense funds with funds allocated under this section. The State  
11 Board of Education shall adopt rules to implement this section.

12 **SECTION 1.(c) Phase Out Provisions.** – If a local school administrative unit  
13 becomes ineligible for funding under this formula because of an increase in the population of  
14 the county in which the local school administrative unit is located, funding for that unit shall be  
15 continued for seven years after the unit becomes ineligible.

16 **SECTION 1.(d) Definitions.** – As used in this section, the following definitions  
17 apply:

- 18 (1) "Average daily membership" means within two percent (2%) of the average  
19 daily membership as defined in the North Carolina Public Schools Allotment  
20 Policy Manual adopted by the State Board of Education.
- 21 (2) "Local current expense funds" means the most recent county current expense  
22 appropriations to public schools as reported by local boards of education in  
23 the audit report filed with the Secretary of the Local Government  
24 Commission pursuant to G.S. 115C-447.

25 **SECTION 1.(e) Reports.** – The State Board of Education shall report to the Joint  
26 Legislative Education Oversight Committee prior to May 1, 2014, if it determines that counties  
27 have supplanted funds.

28 **SECTION 1.(f) Use of Funds.** – Local boards of education are encouraged to use  
29 at least twenty percent (20%) of the funds they receive pursuant to this section to improve the  
30 academic performance of children who are performing at Level I or Level II on either reading  
31 or mathematics end-of-grade tests in grades 3-8.

32 **SECTION 2.(a)** The Joint Legislative Education Oversight Committee shall study  
33 current school funding formulas and shall make recommendations to the General Assembly on  
34 implementing the following modifications:

- 35 (1) Revamping funding formulas to reward high performance by local school  
36 administrative units so as to provide additional incentives for enhancing  
37 student performance.
- 38 (2) Reweighting the formulas for allotting funds to low-wealth counties to more  
39 effectively meet the needs of students in those counties by placing greater  
40 emphasis on household incomes and the number of students receiving free  
41 and reduced-priced meals in those counties and less emphasis on the county  
42 tax base and tax rate. These allotment formulas include low-wealth counties  
43 supplemental funding and lottery funds for school construction projects.
- 44 (3) Adjusting average daily membership (ADM) four times a year to ensure that  
45 it accurately reflects the number of students in a local school administrative  
46 unit.

47 **SECTION 2.(b)** The Committee shall report its findings, together with any  
48 recommended legislation, to the 2013 General Assembly when it reconvenes in 2014.

49 **SECTION 3.** This act becomes effective July 1, 2013.