

Annotated Senate Appropriations/Base
Budget Committee
Report on the
Continuation, Expansion, and Capital
Budgets/Senate Bill 402
May 22, 2013

Education Section

Presented May 28, 2013

Public Education

GENERAL FUND

	FY 13-14	FY 14-15
Recommended Continuation Budget	\$7,984,924,757	\$8,111,097,830

Legislative Changes

A. Technical Adjustments

G^m 1 Average Daily Membership (ADM)	\$11,776,341	R	\$12,316,344	R
Revises projected ADM to reflect 6,642 more students than originally projected in FY 2013-14 and 6,636 more students than originally projected in FY 2014-15. This adjustment includes revisions to all position, dollar, and categorical allotments.	G: \$11,241,807 R \$11,811,549 R			
Total revised allotted ADM for FY 2013-14 is 1,509,985, an increase of 17,192 students over FY 2012-13. Total revised allotted ADM for FY 2014-15 is 1,526,591, an increase of 16,606 students over FY 2013-14.				
G 2 Average Salaries for Certified Personnel	(\$11,873,083)	R	(\$11,980,756)	R
Revises budgeted funding for certified personnel salaries based on actual salary data from December 2012. The adjustment does not reduce any salary paid to certified personnel, nor does it reduce the number of guaranteed State-funded teachers, administrators, or instructional support personnel.				
G 3 Civil Penalties	(\$25,950,674)	NR		
Increases budgeted receipts from Civil Penalties and takes a corresponding General Fund reduction to reflect one-time transfers from the Department of Transportation in FY 2012-13. These funds are used to support State Public School Fund requirements.				
G 4 Small County Supplemental Funding	(\$1,555,885)	R	(\$1,555,885)	R
Adjusts this supplemental allotment for small counties to align funding availability with actual school district eligibility. This adjustment will not reduce funding to eligible districts. \$44.0 million will be available in this allotment in FY 2013-14 and FY 2014-15.				
G 5 Sales Tax Receipts Transfer to State Public School Fund	(\$5,025,426)	R	(\$6,553,965)	R
Increases the annual transfer from the Department of Revenue (DOR) to the State Public School Fund based on projected growth in State sales tax proceeds. This transfer was initiated in S.L. 2005-276 in lieu of a State sales tax refund to local school administrative units (LEAs). Funds from the DOR transfer are used to support State Public School Fund requirements. The total DOR transfer will be \$51.3 million in FY 2013-14; \$52.8 million in FY 2014-15.				

6 Low Wealth Supplemental Funding

(\$14,945,402) R (\$14,945,402) R

Adjusts the supplemental allotment for school districts in low wealth communities to align funding availability with actual school district eligibility. This adjustment will not reduce funding to eligible districts. In addition, Section 8.3 of this act adjusts the Low Wealth formula to modify the income eligibility criteria of certain districts with a significant military presence. \$212.5 million will be available in this allotment in FY 2013-14 and FY 2014-15.

B. Elimination of the LEA Adjustment**7 LEA Adjustment Elimination**

\$376,124,279 R \$376,124,279 R

Eliminates the LEA Adjustment completely. The elimination is accomplished by: 1) providing additional General Fund support to lower the recurring amount of the Adjustment, and, 2) reducing specific allotments in approximately the same proportion as school districts have done the last two years in implementing the Adjustment.

8 Classroom Teachers

(\$286,433,312) R (\$245,897,168) R

Adjusts funding to school districts for guaranteed Classroom Teachers positions, modifying this allotment in approximately the same proportion that school districts had done in previous fiscal years to implement the LEA Adjustment. Nearly 70% of all funds foregone by LEAs over the last two years to comply with the Adjustment came from the Classroom Teachers and Career Technical Education Months of Employment allotments. Revised ratios for distributing guaranteed positions from this allotment are as follows:

FY 2013-14

K: 1 teacher per 19 students
 1-3: 1 teacher per 18 students
 4-6: 1 teacher per 24 students
 7-8: 1 teacher per 23 students
 9: 1 teacher per 26.5 students
 10-12: 1 teacher per 29 students

FY 2014-15

K: 1 teacher per 19 students
 1: 1 teacher per 18 students
 2-3: 1 teacher per 17 students
 4-6: 1 teacher per 24 students
 7-8: 1 teacher per 23 students
 9: 1 teacher per 26.5 students
 10-12: 1 teacher per 29 students

9 Instructional Support Personnel

(\$16,990,590) R (\$17,186,802) R

Adjusts funding to school districts for guaranteed Instructional Support positions, modifying this allotment in approximately the same proportion that school districts had done in previous fiscal years to implement the LEA Adjustment. Nearly 5% of all funds foregone by LEAs over the last two years to comply with the Adjustment came from this allotment. \$323.0 million will be available in this allotment in FY 2013-14; \$326.1 million will be available in FY 2014-15.

10 Instructional Supplies

(\$6,919,008)	R	(\$7,372,550)	R
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Adjusts funding to school districts for Instructional Supplies, modifying this allotment in approximately the same proportion that school districts had done in previous fiscal years to implement the LEA Flexibility Adjustment. LEAs gave up over \$5 million in FY 2012-13 from this allotment to comply with the Adjustment. \$43.2 million will be available in this allotment in FY 2013-14; \$43.3 million will be available in FY 2014-15.

C. Other Public School Funding Adjustments**G^m****11 Limited English Proficiency**

(\$6,000,000)	R	(\$6,000,000)	R
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Reduces the allotment for Limited English Proficiency. Of the \$6 million reduction, \$3 million is reduced to account for declining enrollment based on revised student headcount figures. \$75.3 million will be available in this allotment in FY 2013-14; \$82.0 million will be available in FY 2014-15.

G:	(\$3,000,000)	R	(\$3,000,000)	R
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G**12 ACT Assessments**

\$7,500,000	R	\$7,500,000	R
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Provides a dedicated source of State funding for the administration of the ACT testing suite, which include the ACT, PLAN, EXPLORE, and WorkKeys diagnostic assessments.

13 School Bus Replacement

(\$28,425,435)	R	(\$34,560,126)	R
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Reduces funding for school bus replacement and modifies the school bus replacement standards. Currently school buses are eligible for replacement after 20 years or 200,000 miles of service. This item modifies the mileage standard to 250,000 miles of service and appropriates sufficient funding to replace all school buses meeting the revised criteria. 604 buses will be replaced in FY 2013-14; 721 buses will be replaced in FY 2014-15. \$39.1 million will be available for this purpose in FY 2013-14; \$54.1 million will be available in FY 2014-15.

14 Education Value Added Assessment System (EVAAS)

\$850,000	R	\$850,000	R
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Increases General Fund support for EVAAS to continue expansion initially supported by receipts in FY 2012-13. That expansion enables: 1) direct access to value-added information for teachers who teach classes with an End of Course/End of Grade test, and 2) capability for users to export EVAAS data and merge it with other relevant analyses. Total EVAAS funding will be \$2.7 million.

15 EVAAS School Performance Grades

		\$100,000	R
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Provides funds for the data collection, analysis and calculation of school performance grades, as described in Section 9.4.

\$300,000	NR		
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G^m**16 Teacher Assistants**

(\$142,329,582)	R	(\$149,188,180)	R
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Reduces and modifies Teacher Assistants funding. The current allotment provides LEAs with \$1,182.69 per student in grades K-3 for teacher assistants. The revised allotment will provide the funding equivalent of a Teacher Assistant position for every 18 students in grades K-1, or \$1,727.83 per student. In FY 2013-14, \$428.4 million will remain in this allotment. In FY 2014-15, \$438.2 million will remain in this allotment.

G:	(\$117,123,733)	R	(\$117,123,733)	R
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17 Education-Based Salary Supplements

(\$23,500,000) R

Phases out education-based salary supplements in FY 2014-15 for education personnel not compensated for such supplements in FY 2013-14, as directed in Section 8.22.

18 Education Services for Children at Certain Juvenile Facilities

\$3,828,824 R

Transfers responsibility and funding for teachers in juvenile facilities to the Department of Public Instruction (DPI), effective July 1, 2014. Local Education Agencies with a Youth Development Center or a Detention Center within the district will be responsible for providing services and will receive funding from DPI to carry out these tasks.

D. Pass-through Funds**19 Teach for America**

\$5,100,000 R \$5,100,000 R

Provides additional State support to Teach for America (TFA), an organization that focuses on new teacher recruitment, training and placement in high-need school districts. Funds will support the establishment of a TFA program in the Triad region, growth of existing efforts in Southeastern North Carolina, targeted subject-specific recruitment, and the assumption of management responsibilities for the NC Teacher Corps program beginning in FY 2014-15. State support for TFA will total \$6 million in both years of the biennium.

G 20 Tarheel Challenge

(\$767,719) R (\$767,719) R

Transfers funding from the Department of Public Instruction for Tarheel Challenge, a National Guard program for at-risk youth, to the Department of Public Safety (DPS) budget. The State funds were transferred to DPI in 2009, but federal matching funds remain with DPS. This transfer consolidates all of the funding for Tarheel Challenge in one place. A corresponding increase can be found in the Justice and Public Safety Section of this budget.

G^m 21 North Carolina Center for the Advancement of Teaching (NCCAT)

(\$3,130,606) R (\$3,219,222) R

Eliminates State support for the ongoing operations of this teacher professional development provider. \$88,616 will remain available in FY 2013-14 for upkeep of the two NCCAT facilities until they are otherwise conveyed. Anticipated severance costs are included in the Severance Expenditure Reserve.

	-46.25	-46.25
G:	(\$2,219,222) R	(\$3,219,222) R
	-46.25	-46.25

G 22 Teaching Fellows

(\$3,095,000) R (\$6,190,000) R
(\$1,300,000) NR

Continues the phase-out, begun in S.L. 2011-145, of State support for the Teaching Fellows program. This adjustment continues the reductions initiated in the preceding biennium while preserving the prior General Assembly's intent to support obligations made to previous Fellows classes until the State's scholarship commitment is completed. Additionally, this item reduces the cash balance of the Teaching Fellows Trust Fund by \$1.3 million in FY 2013-14.

E. Department of Public Instruction

G	23 Office of Charter Schools	\$320,000	R	\$320,000	R
	Adds three consultant positions to DPI's Office of Charter Schools. These positions will be used to keep pace with the increase of newly-established charter schools in North Carolina. Funds are included for salaries and benefits, travel, technology needs, and miscellaneous expenses.	3.00		3.00	
	24 DPI Flexible Reduction	(\$1,040,654)	R	(\$1,040,654)	R
	Reduces State support for Department of Public Instruction operations, including salaries and benefits, by 2.5%. The State Board of Education may allocate this reduction at its discretion.				

F. Excellent Public Schools Act

G^m	25 Excellent Public Schools Act	\$18,578,841	R	\$35,109,480	R
	Provides additional funds to the Department of Public Instruction to carry out the elements of the Excellent Public Schools Act contained in Section 7A.1 of S.L. 2012-142.	G: -		\$28,000,000 R	
	26 Merit Pay for Teachers			\$10,200,000	R
	Provides funds to allow superintendents to provide a \$500 annual pay raise in FY 2014-15 for each teacher opting to enter into a four-year contract based on effectiveness, pursuant to Section 9.6.				

Total Legislative Changes	(\$108,282,241)	R	(\$78,509,502)	R
	(\$26,950,674)	NR		
Total Position Changes	-43.25		-43.25	
Revised Budget	\$7,849,691,842		\$8,032,588,328	

Community Colleges

GENERAL FUND

	FY 13-14	FY 14-15
Recommended Continuation Budget	\$1,037,430,475	\$1,037,430,475

Legislative Changes

A. Enrollment

G^m 27 Enrollment Model Funding Change	(\$19,893,462) R	(\$19,893,462) R
Modifies the community college enrollment funding model. Currently, community colleges are funded based on the higher of the prior year's actual enrollment or the three-year average enrollment. This adjustment shifts the three-year average to a two-year average, and accounts for varying enrollment among the tiered funding levels.	\$4,000,000 NR	
	G: (\$20,002,263) R	(\$20,002,263) R
The State Board of Community Colleges shall allocate the \$4 million nonrecurring in FY 2013-14 to phase in the reduction for those colleges most affected by the policy change.		

B. Tuition and Fees

G^m 28 Curriculum Tuition	(\$10,433,065) R	(\$10,433,065) R
Increases curriculum tuition by \$2.50 per credit hour and makes a corresponding General Fund reduction in anticipation of increased tuition receipts.	G: (\$6,157,474) R	(\$6,157,474) R
	Residents: \$1/credit hour	
	Nonresidents: \$4/credit hour	
Tuition will increase from \$69 to \$71.50 per credit hour for residents and from \$261 to \$263.50 for nonresidents. Tuition for full-time resident students will increase by a maximum of \$80 per year, from \$2,208 to \$2,288.		
G 29 Continuing Education Fee	(\$664,509) R	(\$664,509) R
Increases continuing education fees by \$5 per course and takes a corresponding General Fund reduction in anticipation of increased tuition receipts. The new fees will be as follows:		
Classes 1-24 hours - \$70,		
Classes 25-50 hours - \$125,		
Classes 51+ hours - \$180.		
G 30 Senior Citizens Tuition Waiver	(\$970,000) R	(\$970,000) R
Eliminates the tuition waiver found in G.S. 115D-5(b)(11) that waives tuition for up to six hours of credit instruction and one course of noncredit instruction per academic semester for senior citizens age 65 or older who are qualified as legal residents of North Carolina.		

C. State Aid Adjustments

G^m31 Restore Management Flexibility Reduction
Provides funding to restore 12% of the management flexibility reduction. These funds will be distributed to colleges in accordance with the Community College Institutional Performance Accountability structure, as amended in Section 10.5. The remaining management flexibility reduction will be \$73,233,302.

\$10,000,000	R	\$10,000,000	R
G: \$5,000,000	R	\$10,000,000	R

G^m32 Equipment
Provides funds for the purchase of instructional equipment and technology at all 58 colleges. These funds are in addition to the \$49 million included in the base budget for this purpose. Funds shall be distributed in accordance with the existing equipment formula.

\$10,000,000	NR		
G: \$14,000,000	NR	\$14,000,000	NR

33 Manufacturing Solutions Center

Provides additional funding for the Manufacturing Solutions Center at Catawba Valley Community College. Total funding for this program will be \$696,922.

\$150,000	R	\$150,000	R
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34 Textile Technology Center

Provides additional funding for the Textile Technology Center at Gaston College. Total funding for this program will be \$503,954.

\$150,000	R	\$150,000	R
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G35 Customized Training
Reduces the Customized Training budget on a one-time basis. Total recurring funding for the program is \$12.5 million; however, per G.S. 115D-5.1(f2), unexpended funds for the program do not revert and are instead carried forward to the next year. The total amount available for expenditure in FY 2013-14 is projected to be \$20.8 million.

(\$2,000,000)	NR		
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G36 Data Connectivity
Eliminates a portion of the recurring funding for data connectivity at each community college's main campus. Due to their concentrated buying power, community colleges were able to negotiate lower rates and these funds have remained unspent. Total funding remaining for the initiative will be \$4,986,528.

(\$647,972)	R	(\$647,972)	R
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G^m37 BioNetwork
Reduces funds for the BioNetwork program. Total funding remaining for the program will be \$4,159,611.

(\$100,000)	R	(\$100,000)	R
G: (\$597,000)	R	(\$597,000)	R

G^m38 Botanical Laboratory
Reduces support for the categorical allotment for the botanical laboratory at Fayetteville Technical Community College. The college will continue to receive regular FTE formula funding for enrollment at the botanical laboratory, and may use other State funding allocated to it to continue the program.

(\$164,000)	R	(\$164,000)	R
G: (\$264,000)	R	(\$264,000)	R

39 Mentoring Program

Reduces funding for the Minority Male Mentoring program by 20% and expands the program mission to include all community college students with an increased likelihood of dropping out. Total funding remaining for the new program will be \$648,000.

(\$162,000)	R	(\$162,000)	R
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D. Community Colleges System Office Adjustments**40 GED Program Office**

Shifts \$104,266 in FY 2013-14 and \$208,533 in FY 2014-15 from the Basic Skills Block Grant to the Community Colleges System Office to administer the Adult High School and General Education Development (GED) Programs.

2.50

2.50

S.L. 2011-145 shifted this program's budget and the associated 2.5 positions from General Fund appropriations to receipt support from GED exam fees. Due to changes in the GED exam, these fees will no longer be paid to the System Office as of January 1, 2014. This item shifts the program budget, including two GED and Adult High School Tech positions and one-half of the Education Program Director position, back to General Fund appropriations.

41 State Board of Community Colleges Budget

(\$260,000) R

(\$260,000) R

Reduces funding for the State Board Reserve (\$250,000) and State Board travel (\$10,000). Section 10.10 reduces the annual number of required State Board meetings from ten to eight.

Gm**42 System Office Advertising and Travel**

(\$120,000) R

(\$120,000) R

Reduces the System Office budget for advertising (\$100,000) and travel (\$20,000).

G: Advertising only (\$100,000) R

(\$100,000) R

Total Legislative Changes

(\$23,115,008) R

(\$23,115,008) R

\$12,000,000 NR**Total Position Changes**

2.50

2.50

Revised Budget**\$1,026,315,467****\$1,014,315,467**

UNC System

GENERAL FUND

	FY 13-14	FY 14-15
Recommended Continuation Budget	\$2,709,551,807	\$2,737,874,470

Legislative Changes

G^m 43 Management Flexibility Reduction	(\$47,988,719) R	(\$75,386,050) R
Mandates a management flexibility reduction for the UNC operating budget. As directed in Section 11.5, the UNC Board of Governors shall not allocate this reduction on an across-the-board basis to constituent institutions.	G: (\$66,900,000) R (\$43,800,000) NR	(\$79,800,000) R (\$36,000,000) NR
G 44 Administrative and Operational Efficiencies	(\$10,000,000) R	(\$15,000,000) R
Reduces funding in anticipation of savings from the implementation of administrative and operational efficiencies, including: <ul style="list-style-type: none"> - Shared services for residency determination, internal audit, financial aid review, and IT infrastructure; - Strategic purchasing; - Span of control evaluations; - Improved business practices; and - Energy efficiency measures. 		
G 45 Instructional Efficiencies	(\$15,800,000) R	(\$21,100,000) R
Reduces funding in anticipation of savings from the implementation of system-wide academic programming measures, including system-wide section size guidelines and improved transferability of credits between UNC campuses.		
G 46 Program Consolidation		(\$1,900,000) R
Reduces funding in anticipation of savings from the consolidation of small or duplicative programs within the UNC System.		
47 Optional Retirement Program Forfeitures	(\$4,000,000) R	(\$4,000,000) R
Reduces UNC's budget by \$4 million annually. The UNC System shall offset this reduction by replacing contributions to the Optional Retirement Program with forfeitures the Program receives under G.S. 135-5.1(b)(5).		
G 48 McNair Hall Building Reserve	(\$150,185) R	(\$150,185) R
Eliminates recurring operating funds previously budgeted for an addition to McNair Hall at NCA&T State University. The McNair Hall addition was to be part of the Graduate Engineering School Project but has been cancelled.		

49 WCU Engineering Degree Program at Biltmore Park

Provides funding for a general engineering degree program at Western Carolina University's Biltmore Park Town Square location in Buncombe County. Funds will help support start-up costs, four full-time equivalent positions, and ongoing program operations.

\$698,962 NR

\$719,844 R

4.00

50 Tuition Grant for NC Science & Math Graduates

Completes the phase out of the UNC tuition grant for graduates of the North Carolina School of Science and Math (NCSSM). \$1,220,765 will remain in the budget for FY 2013-14 to pay tuition for students who graduated from NCSSM in 2010; all funding is eliminated for FY 2014-15.

(\$1,248,310) R

(\$2,469,075) R

51 National Board Certification Loan Program

Reduces recurring funding for this revolving loan program for teachers pursuing certification by the National Board for Professional Teaching Standards. Total remaining recurring funding will be \$100,000. Additionally, Section 11.2 reduces the available fund balance for the program, leaving \$1,300,000 to support ongoing operations.

(\$3,174,500) R

(\$3,174,500) R

52 UNC Need-Based Grant Forward Funding Reserve

Provides additional funding for the UNC Need-Based Grant Forward Funding Reserve, in order to shift the entire program to forward funding for FY 2014-15. In addition to these funds, Section 11.2 appropriates an additional \$60.2 million in FY 2013-14 to the reserve.

\$3,454,656 R
\$20,882 NR

\$3,454,656 R

A total of \$122,475,842 will be available for scholarships for the 2013-14 academic year; \$123,447,347 will be available in the 2014-15 academic year.

53 UNC Need-Based Grant

Decreases General Fund support for the program on a nonrecurring basis, to offset a one-time increase from the Escheat Fund. Total funding available for scholarships in the 2013-14 academic year will remain at \$122,475,842.

(\$27,000,000) NR

54 Institute for Regenerative Medicine

Transfers funds for the Institute for Regenerative Medicine at Wake Forest University from the Commerce-State Aid budget to the UNC System budget.

\$7,000,000 R

\$7,000,000 R

55 North Carolina Center for Vaccine Innovation

Provides start-up funding for the North Carolina Center for Vaccine Innovation, a non-profit consortium of the Schools of Medicine at UNC-Chapel Hill, East Carolina University, Wake Forest University, and Duke University; as well as North Carolina State University, UNC Charlotte, the North Carolina Biotechnology Center, the North Carolina Biosciences Organization, and the National Center for Biotechnology Workforce.

\$2,000,000 R

\$2,000,000 R

Total Legislative Changes	(\$69,907,058)	R	(\$110,005,310)	R
	(\$26,280,156)	NR		
Total Position Changes			4.00	
Revised Budget	\$2,613,364,593		\$2,627,869,160	

Governor's Recommended Education Adjustments Not Included in Senate Budget

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>R</u>	<u>NR</u>	<u>R</u>	<u>NR</u>
<u>Public Schools</u>				
Textbooks	\$ 58,250,000	\$ -	\$ 76,500,000	\$ -
Instructional Supplies and Equipment	\$ 9,443,104	\$ -	\$ 34,936,054	\$ -
Enhance Digital Learning Opportunities for Students	<i>\$17,068,441 from Lottery</i>	<i>\$9,076,544 from Lottery</i>	<i>\$17,068,441 from Lottery</i>	\$ -

Community Colleges

Fund Retirement and Medical Benefits for Full-Time Faculty	\$ (15,189,563)	\$ -	\$ (15,189,563)	\$ -
Encourage Efficiencies and Span of Control in Community College Administrative Costs	\$ (2,480,138)	\$ -	\$ (2,480,138)	\$ -
Specialized Centers and Programs	\$ (343,670)	\$ -	\$ (343,670)	\$ -
Increased Funding for Higher Cost Programs	\$ 16,789,333	\$ -	\$ 16,789,333	\$ -
Continue NC Back-to-Work Program	\$ -	\$ 3,000,000	\$ -	\$ 5,000,000

UNC

Increase Non-Resident Tuition	\$ (48,000,000)	\$ (6,100,000)	\$ (48,000,000)	\$ (6,100,000)
Assess Same Tuition Rate for All Non-Resident Students Receiving Scholarships	\$ (8,580,000)	\$ -	\$ (8,775,000)	\$ -
North Carolina School of Science and Math Tuition Grant	Grant restored beginning with graduating class of 2014.			
UNC Strategic Directions Plan: -Meeting the State's Education Attainment Goal -Strengthening Academic Quality -Serve the People of NC -Maximize Efficiencies; Financially Stable and Accessible University	\$ 11,800,000	\$ 7,800,000	\$ 32,100,000	\$ 11,500,000
Utility Budget to Reflect Actual Expenditures	\$ (8,088,719)	\$ -	\$ (8,088,719)	\$ -