

**HOUSE APPROPRIATIONS SUBCOMMITTEE**

**ON**

**EDUCATION**

**REPORT  
ON THE  
CONTINUATION AND EXPANSION BUDGETS**

**Senate Bill 744**

**June 10, 2014**

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## Public Education

GENERAL FUND

Total Budget Enacted 2013 Session

FY 14-15
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 \$8,046,101,622

## Legislative Changes

## A. Reserve for Salaries &amp; Benefits

**1 Compensation Increase Reserve - Educators**

\$176,193,279	R
\$2,150,000	NR

Provides funds for a new teacher salary schedule as well as an experience-based step for all step-eligible educators. The new schedule increases the pay of all educators to at least \$33,000 annually. This new schedule for all educators provides, on average, a 5% salary increase assuming that local supplements remain the same, there is no turnover, and there are no changes to educator educational attainment or certifications. Funds are provided for a bonus for educators at the top of the salary schedule who would not otherwise receive a salary increase. Two corresponding provisions in the Compensation of Public School Employees part of the Appropriations Act provide additional information on this item.

**2 Compensation Increase Reserve - School-based Administrators**

\$10,158,319	R
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Provides funds for salary schedule changes and an experience-based step for all step-eligible school-based administrators. Administrators who do not receive a salary increase under the new schedule are provided a 2% bonus. Two corresponding provisions in the Compensation of Public School Employees part of the Appropriations Act provide additional information on this item.

**3 Compensation Increase Reserve - Non-certified and Central Office Personnel**

\$65,270,879	R
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Provides a \$1,000 annual recurring salary increase (approximate \$1,236 salary and benefit increase) for permanent full-time employees.

**4 Compensation Increase Reserve - Department of Public Instruction (DPI)**

\$1,461,135	R
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Provides a \$1,000 annual recurring salary increase (approximate \$1,236 salary and benefit increase) for permanent full-time employees.

**5 State Retirement System Contributions - School District Personnel**

\$35,082,455 R

Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 1.44% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is \$60.3 million.

**6 State Retirement System Contributions - DPI**

\$299,811 R

Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 1.44% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is \$60.3 million.

**B. Technical Adjustments****7 Average Daily Membership (ADM) (Multiple)**

(\$37,453,734) R

Revises projected ADM for FY 2014-15 to reflect 6,286 fewer students than originally projected. The adjustment includes revisions to all position, dollar, and categorical allotments.

Total allotted ADM for FY 2014-15 is 1,520,305, an increase of 10,320 students over FY 2013-14.

**8 Average Certified Personnel Salaries (Multiple)**

(\$64,923,926) R

Revises budgeted funding for certified personnel salaries based on actual salary data from December 2013. 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.

**9 ADM Adjustment: Opportunity Scholarships (1800)**

\$11,797,941 R

Provides funding to eliminate the ADM Adjustment for Opportunity Scholarships.

**10 Classroom Teachers**

(\$160,904,386) R

Adjusts the receipts budgeted for the Classroom Teachers allotment to reflect an updated distribution between the four Lottery programs. This adjustment does not impact the combined total funding from Lottery and General Fund sources available for the Classroom Teachers allotment.

**C. Public School Funding Adjustments**

- |   |                |   |
|---|----------------|---|
| <b>11 Excellent Public Schools Act (Multiple)</b>   | \$6,015,859    | R |
| Provides additional funds to the Department of Public Instruction to carry out elements of the Excellent Public Schools Act contained in Section 7A.1 and Section 7A.7 of S.L. 2012-142. DPI will have \$38.0 million available to implement these requirements.  |                |   |
|   |                |   |
| <b>12 Classroom Teachers (1800)</b>   | (\$43,362,064) | R |
| Revises adjustment made in the 2013 budget to reduce the classroom teachers allocations in Grades 2 and 3 from 1 teacher per 18 students to 1 teacher per 17 students. This adjustment will forego an additional 788 new teaching positions budgeted to be added in FY 2014-15. FY 2014-15 classroom teacher allocations and class size requirements will remain the same as they are in FY 2013-14. \$3.72 billion remains in the budget for this allotment.   |                |   |
|   |                |   |
| <b>13 Excellent Public Schools Act - Five Extra Days (Multiple)</b>   | (\$391,637)    | R |
| Eliminates funding that had been provided to support a requirement that local education agencies (LEAs) provide additional instructional days (S.L. 2011-145, Section 7.29). A subsequent amendment to G.S. 115C-84.2.(a)(1) eliminated this mandate. Funding had previously supported \$40,168 for additional costs related to substitute teachers and \$351,469 for additional costs related to student transportation.   |                |   |
|   |                |   |
| <b>14 Education-Based Salary Supplements Restoration (1800)</b>   | \$18,700,000   | R |
| Provides additional funding necessary to restore education-based salary supplements for master's, advanced or doctoral degrees for certain personnel, as directed in a corresponding special provision.   |                |   |
|   |                |   |
| <b>15 School Bus Replacement (1830)</b>   | (\$3,369,983)  | R |
| Reduces this allotment supporting the purchase of replacement school buses to reflect lower-than-expected bus prices and departmental operational efficiencies. The nonrecurring reduction reflects the savings associated with foregone bus purchases in FY 2013-14 and the recurring reduction reflects reduced future financing payments as a result of those foregone purchases. This reduction does not reduce the number of replacement buses to be purchased in FY 2014-15. \$46.2 million remains in this allotment to support the purchase of 579 replacement buses in FY 2014-15. |                |   |
| (\$3,369,983) NR  |                |   |

**16 Small County Supplemental Funding (1800)**

\$3,581,140 R

Revises the funding formula to provide differentiated funding based on the size of eligible districts as directed in a corresponding special provision. \$46.3 million will be available for this allotment in FY 2014-15.

**17 Panic Alarms (1830)**

(\$1,100,000) R

Reduces available funding for this program to reflect FY 2013-14 actual expenditures. \$900,000 will be available for awards in FY 2014-15, slightly more than the amount awarded in FY 2013-14.

**18 Cooperative and Innovative High Schools (1821)**

\$1,864,014 R

Provides Cooperative and Innovative High Schools (CIHS) allotment support to fulfill the funding requests for the six new CIHSs approved by the State Board of Education in 2014. Funding will support one STEM Early College and two Middle Colleges in Mecklenburg County, A Young Men's and Young Women's Leadership Academy in Wake County; and the Buncombe Discovery Academy in Buncombe County.

**19 Cooperative and Innovative High School Planning Grant (1821)**

\$150,000 NR

Provides nonrecurring funds to the Wilson County Schools for the planning and support of the Wilson Academy of Applied Technology, a high school focusing on innovation and technology to prepare students for careers in manufacturing. The funds appropriated in this section may be used for school construction or renovation of school property. If the Wilson Academy of Applied Innovation is approved by the State Board of Education as a Cooperative Innovative High School and is prepared to begin operations in FY 2015-16, it is the intent of the General Assembly to appropriate to Wilson Public Schools recurring funds under the CIHS allotment.

**20 Merit Pay for Teachers (1800)**

(\$10,200,000) R

Eliminates this teacher supplemental compensation program slated to begin in FY 2014-15.

**21 Career Pathways (1800)**

\$9,777,150 R

Supports the creation of a new pilot program to provide selected LEAs with the resources to offer career paths for professional growth and advancement opportunities to promote retention of the highest quality teachers within the teaching profession. These pathways will be directed at retaining quality teachers who take on increasing responsibility for students and for the development and success of their peers, and impact student achievement in the classroom.

Each of eight pilot LEAs will receive funding for initial implementation. A corresponding provision describes the operational structure of this initiative.

**22 Embedded Innovative Teaching Institute**

\$150,000 R

Funds a pilot program for the Union County Public School System to collaborate with a public higher education partner to create a new teacher preparation model. The funding will support tuition for teachers, summer salaries for professors, stipends for course writers, consultation fees, and data collection and processing. Union County Public Schools shall expend these funds only for purposes directly related to this project.

**D. Department of Public Instruction****23 DPI Flexible Reduction (Multiple)**

(\$502,605) R

Reduces State General Fund support for DPI by 1%. The State Board of Education may allocate this reduction at its discretion.

**24 North Carolina Center for the Advancement of Teaching (1410)**\$3,239,639 R  
(\$3,239,639) NR

Shifts all State General Fund support for the ongoing operations of this teacher professional development provider to recurring funding.

**25 Military Interstate Children's Compact Commission (1660)**

\$11,694 R

Provides additional funding to cover the actual cost of membership of the Military Interstate Children's Compact Commission. The Commission seeks to ensure consistent policies amongst member states to resolve educational transition issues encountered by military children due to frequent relocation. The total budget for this item will be \$60,000.

**E. Grants**

<b>26 Teaching Fellows (1900)</b>	(\$3,095,000)	R
Eliminates the General Fund appropriation supporting the Teaching Fellows program. Obligations to previous Fellows classes will continue to be supported from funds available in the Teaching Fellows Trust Fund. The Teaching Fellows Trust Fund has a cash balance of \$4.7 million as of April 30, 2014.		
<b>27 Rural Charter School Development (1901)</b>	\$300,000	NR
Supports a pilot program administered by Parents for Educational Freedom in North Carolina (PEFNC) intended to accelerate charter school development in rural North Carolina. A corresponding provision addresses program rules.		
<b>28 Communities in Schools (1901)</b>	\$2,000,000	R
Provides support to expand the intervention programs and services provided by Communities In Schools of North Carolina, Inc. (CISNC), as part of its public and private partnership with local school administrative units to address the needs of public school students at risk of grade level retention and dropout from school. Total FY 2014-15 State support for CISNC will be \$3,446,750.		
<b>29 Teacher Cadet</b>	\$150,000	R
Provides recurring support for the Teacher Cadet Program, a part of the North Carolina Foundation for Public School Children, a private non-profit organization that encourages high achieving students to consider teaching as a career.		

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<b>Total Legislative Changes</b>	<b>\$20,449,980</b>	<b>R</b>
	<b>(\$4,009,622)</b>	<b>NR</b>
<b>Total Position Changes</b>		
<b>Revised Budget</b>	<b>\$8,062,541,980</b>	

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## Community Colleges

GENERAL FUND

Total Budget Enacted 2013 Session

<b>FY 14-15</b>
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**\$1,016,487,467**
**Legislative Changes****A. Reserve for Salaries & Benefits**

<b>30 Compensation Increase Reserve - Community Colleges</b>	<b>\$22,741,352</b>	<b>R</b>
Provides a \$1,000 annual recurring salary increase (~\$1,236 salary and benefit increase) for permanent full-time employees.		
<b>31 State Retirement System Contributions - Community Colleges</b>	<b>\$5,779,680</b>	<b>R</b>
Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 1.44% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is \$60.3 million.		
<b>32 Compensation Increase Reserve - System Office</b>	<b>\$202,461</b>	<b>R</b>
Provides a \$1,000 annual recurring salary increase (~\$1,236 salary and benefit increase) for permanent full-time employees.		
<b>33 State Retirement System Contributions - System Office</b>	<b>\$73,026</b>	<b>R</b>
Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 1.44% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is \$60.3 million.		

**B. Technical and Formula Changes**

<b>34 Enrollment Growth Adjustment (Multiple)</b>	<b>(\$17,199,053)</b>	<b>R</b>
Adjusts funds for FY 2014-15 based on the decline in community college enrollment.		
The Community College system saw its enrollment decline by 2.5% (or 6,156 FTE) from the budgeted amount in the 2013-14 certified budget for a savings of \$17.2 million.		

**35 Closing the Skills Gap (Multiple)**

\$15,366,588 R

Directs the System Office to create a fourth tier in its enrollment funding formula. The tier will be funded at a higher rate than the current highest tier. The new tier shall include health care and technical educational programs that train North Carolinians for jobs that have documented skills gaps and that pay higher wages.

**36 Transfer to Commerce to Offset Apprenticeship Fees (1622)**

Transfers \$300,000 from the Customized Industry Training Program to the Department of Commerce for the Apprenticeship and Training Bureau's Registered Apprenticeship program, which helps workers learn new specialized skills needed in the workforce.

The Department of Commerce is directed to use the funds to offset fee revenue lost when apprenticeship fees assessed under G.S. 94-12 are waived.

There is a corresponding special provision for this item.

**C. Financial Aid Changes****37 Yellow Ribbon G.I. Education Enhancement Program (1900)**

\$1,000,000 R

Funds financial aid for eligible military veterans and dependents attending North Carolina community colleges by providing State dollars to leverage federal matching funds via the Yellow Ribbon program.

The Yellow Ribbon Program provides a direct match of school funds to offset the cost of the gap for veterans between non-resident tuition rates and the Post -9/11 G.I. Bill, which pays only up to the resident tuition rate. Funds provided in FY 2014-15 are intended for use in academic year 2015-16 but may be awarded and disbursed in spring 2015.

There is a corresponding special provision for this item.

**D. Other Changes****38 Curriculum Tuition (1620)**

(\$2,101,060) R

Increases curriculum tuition by \$0.50 per credit hour and makes a corresponding General Fund reduction in anticipation of increased tuition receipts.

Tuition will increase from \$71.50 to \$72 per credit hour for residents and from \$263.50 to \$264 for nonresidents. Tuition for resident students will increase by a maximum of \$32 per year, from \$2,288 to \$2,320.

**39 Fayetteville Technical Community College Botanical Lab (1624)**

(\$100,000) R

Eliminates State funding for the Cape Fear Botanical Garden in Fayetteville, which serves as an outdoor learning laboratory for Fayetteville Technical Community College's Horticulture Technology/Management program.

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**Total Legislative Changes****\$25,762,994** R**Total Position Changes****Revised Budget****\$1,042,250,461**

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## UNC System

GENERAL FUND

FY 14-15

Total Budget Enacted 2013 Session

\$2,599,901,709

## Legislative Changes

## A. Reserve for Salaries &amp; Benefits

## 40 Compensation Increase Reserve

\$41,616,203

R

Provides a \$1,000 annual recurring salary increase (~\$1,236 salary and benefit increase) for permanent full-time employees.

## 41 State Retirement System Contributions

\$7,149,819

R

Increases the State's contribution to the Teachers' and State Employees' Retirement System to fund the Annual Required Contribution and provide a 1.44% cost-of-living adjustment to retirees. Total General Fund appropriation across all sections in the committee report is \$60.3 million.

## B. Technical and Formula Changes

## 42 Enrollment Funding Adjustment (Multiple)

(\$1,773,018)

R

Reduces budgeted enrollment to match revised projections. The FY 2014-15 budget includes \$26.7 million of State appropriation for enrollment growth in the UNC System but only \$24.9 million is required, based on refined enrollment estimates.

## 43 Enrollment Growth Model Change (Multiple)

(\$5,326,425)

R

Directs UNC General Administration to revise the Enrollment Growth Funding Model for general institutional support. The current model contains an adjustment factor to limit budget cuts to institutional support lines when enrollment declines. UNC is directed to remove this factor from its model and to reduce campus budgets accordingly.

## 44 Building Reserves (16011; 1260)

(\$922,599)

R

Reduces funding in reserves for new facilities due to delays in completion dates.

(\$79,138)

NR

-2.80

**45 Teacher Preparation Programs through Distance Education**

(\$1,801,861) R

Eliminates funding for the Teacher Preparation Distance Education Reserve. Funding for distance education teacher preparation was originally provided by the 2001 Appropriations Act (S.L. 2001-424, Sec. 31.7); since that time, these programs have also been added to the enrollment growth funding formula. This adjustment ends that duplicative funding.

**C. Financial Aid Changes****46 Yellow Ribbon G.I. Education Enhancement Program (16011)**

\$4,863,276 R

Funds financial aid for eligible military veterans and dependents attending the University of North Carolina by providing State dollars to leverage federal matching funds via the Yellow Ribbon program.

The Yellow Ribbon Program provides a direct match of school funds to offset the cost of the gap for veterans between non-resident tuition rates and the Post -9/11 G.I. Bill, which pays only up to the resident tuition rate. Funds provided in FY 2014-15 are intended for use in academic year 2015-16 but may be awarded and disbursed in spring 2015.

There is a corresponding special provision for this item.

**47 NC Need-Based Scholarship (16015; 124T)**\$4,500,000 R  
(\$4,500,000) NR

Shifts from nonrecurring to recurring \$4.5 million for the NC Need-Based Scholarship for students attending private institutions of higher education. Total funding for the program in FY 2014-15 will be \$86,351,588.

**48 National Guard Tuition Assistance Program (16012, 124R)**

\$50,000 R

Increases tuition assistance for active members of the North Carolina Army or Air National Guard by 2.7%. The new State appropriation for the program will be \$1,912,815.

**49 College Foundation of North Carolina (16010)**

\$1,000,000 R

Mitigates the structural budget gap at the College Foundation of North Carolina (CFNC), which formerly was supported largely by receipts from the federal guaranteed student loan program at the College Foundation, Inc. and the State Education Assistance Authority. The 2010 federalization of the student loan program ended any new loan originations through the guaranteed loan program, so those receipts are no longer sufficient to sustain CFNC.

**D. Other Changes****50 Management Flexibility Reduction (16011)**

(\$20,832,465) R

Increases the management flexibility reduction for the UNC operating budget by 28.3%. Including this change, the management flexibility reduction for FY 2014-15 totals \$94,442,809. The UNC Board of Governors shall not allocate this reduction on an across-the-board basis to constituent institutions.

There is a related special provision for this item.

**51 Game Changing Research (16011)**

\$3,000,000 R

Funds focused investments in faculty, research, and scholarship in six priority areas: advanced manufacturing; data sciences; defense, military, and security; energy; marine and coastal sciences; and pharmacoengineering. The investment in data sciences shall include data sciences programs at UNC Charlotte.

**52 NCSU Next Generation Power Electronics Innovation Institute (16030)**

\$2,000,000 R

Provides State matching funds for a federal initiative to establish a regional and national Wide Bandgap Institute at North Carolina State University (NCSU). This Institute will be part of the U.S. Department of Energy's National Network for Manufacturing Innovation for Wide Bandgap Semiconductors for Power Electronic Devices. The State match represents the first installment of a total \$10 million State pledge, and NCSU shall only use these funds to provide the required State match for the federal grant.

**53 North Carolina New Teacher Support Program (Multiple)**

\$1,200,000 R

Funds the North Carolina New Teacher Support Program, a comprehensive induction program that targets beginning teachers in schools across the state that qualified for Race to the Top services. The program is administered through a central office and four regional anchor sites at UNC Greensboro, UNC Charlotte, East Carolina University, and the UNC Center for School Leadership Development.

**54 NCSU Food Processing**

Provides \$250,000 in nonrecurring funding to the College of Agriculture and Life Sciences at NC State University to support the development of the Department's food processing initiative. The University of North Carolina may not collect Facilities and Administrative expenses from these funds. Funding is reflected in the Natural and Economic Resources section of this document.

There is a related special provision for this item in the Department of Agriculture and Consumer Sciences section.

**55 NCSU Plant Science Initiative**

Provides \$350,000 in nonrecurring funding to the College of Agriculture and Life Sciences at NC State University to support the development of the Department's plant science initiative. The University of North Carolina may not collect Facilities and Administrative expenses from these funds. Funding is reflected in the Natural and Economic Resources section of this document.

There is a related special provision for this item in the Department of Agriculture and Consumer Sciences section.

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<b>Total Legislative Changes</b>	<b>\$34,722,930</b>	<b>R</b>
	<b>(\$4,579,138)</b>	<b>NR</b>
<b>Total Position Changes</b>	<b>-2.80</b>	
<b>Revised Budget</b>	<b>\$2,630,045,501</b>	

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