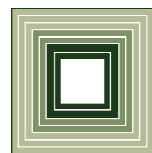


Joint Legislative Study Committee on Public School Funding Formulas

Fiscal Research Division – Education Team

December 13, 2007



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

School Finance in North Carolina



Key Takeaways

- State Public Schools funding is distributed to Local Education Agencies (LEAs) through allotments
- Allotments are distributed based on funding formulas that typically utilize student headcount and other targeted factors
- They also provide different kinds of support to LEAs, both in direct funding and instructional and administrative positions

Basis for Public Schools Funding

- Public school funding is distributed to LEAs through “allotments”

Allotment = Allocation
 = Amount Budgeted
 = Amount made available
 for use by an LEA
 = “way money goes out the
 door”

Average Daily Membership

- Most allotments are provided to LEAs on the basis of Average Daily Membership (ADM)
- Membership = being on the current roll at a school (“expected to be there”)
- Not the same as attendance
- ADM =
daily sum of all students in membership for a month
total days in month

Determining Allotted ADM

- Each fall, DPI follows these 5 steps for determining total allotted ADM for the next year:
 - 1) For each LEA, compare **current year actual** ADM in month 1 and month 2 of school year (example: for FY 2007-08 budget, look at FY 2006-07 ADM)
 - 2) Identify the **higher** figure (“**Best 1 of 2**”)

September 30, 2006:
20,417

Vs.

October 31, 2006:
20,520

Determining Allotted ADM-Part 2

Steps, continued:

- 3) Compare the figure from step 2 to a statistical projection of ADM for the coming year

October 31, 2006:
20,520

Vs.

Projected 2007-08:
20,249

- 4) The higher number is the **allotted ADM** for that LEA (note: LEA can do no worse than prior-year actual, even if decline is projected)

Determining Allotted ADM-Part 3

- 5) Summing the allotted ADM figures for all of the LEAs produces:

Statewide Total Allotted ADM

**2007-08 Allotted ADM:
1,463,836**

Allotment Types

- Basic Allotments
 - Dollar
 - Position
- Supplemental Allotments

Basic Allotments

- Provide the foundational needs for the public education system
- Most significant examples are:
 - Classroom Teachers
 - Principals and Assistant Principals
 - Teacher Assistants
 - Instructional Support
 - Classroom Materials/Textbooks

Basic Allotments Types-Dollar Allotments

- LEAs are provided a specific dollar amount to use to purchase materials or hire certain personnel
- Examples
 - Teacher Assistants
 - DPI provides \$1,031.34 per K-3 ADM
 - LEA can hire any candidate with available funds and compensate them according to State pay scale or, “live within the dollars.”
 - Textbooks
 - \$67.00 per ADM

Basic Allotments Types-Position Allotments

- Allocated to LEAs based on ratio of positions to allotted ADM
- LEA hires any applicant it chooses, and State pays the salary and benefits for that position, as determined by the State salary schedule
- Teacher and Instructional Support Positions
 - Teachers allotted to LEA based on ADM in particular grades (class size targets)
 - Instructional support allotted based on LEA total ADM
 - Compensated according to uniform State teacher salary scale

Supplemental Allotments

- Programs intended to address specific student populations or instructional challenges not fully met by basic allotments
- Allotted to LEAs based on various criteria (headcount, LEA wealth, student performance)

Example: State allots \$3,348.47 per funded headcount of school-aged students with identified special learning needs (Children with Disabilities allotment)

- LEA may use funds to purchase any services it deems necessary to address program purpose

Interaction of Various Allotments

Students in Grade 4 through 8

		Student Example 1	Student Example 2	Student Example 3	Student Example 4
Funding for Different Students	State	\$5,498.88	\$9,559.08	\$8,715.37	\$4,486.67
Every Student (note)	\$4,118.46	X	X	X	X
Student from a Low Income Family	\$381.42	X	X	X	
Special Learning Issues (IEP's)	\$3,157.55		X	X	
Small County	\$597.62	X	X		
Disadvantaged Student Supplemental Funding	\$155.29	X	X	X	
Not performing at grade level	\$218.85		X	X	
Low Wealth County	\$246.09	X	X		
Limited English Proficiency	\$683.80		X	X	
Intellectually and Academically Gifted	\$368.21				X
Career & Technical Ed (Voc Ed)	\$0.00				

Every Student includes: Teachers (total divided by ADM; not by grade span allotment), instructional support, some at-risk (ADM portion), textbooks, classroom materials/supplies, school technology, transportation, and administrative & support categories (\$1002.84) which includes central office administration, school building administration, incentive awards, noninstructional support personnel, driver education, assistance teams, staff development, school safety officer, annual leave, longevity, mentor pay, and school bus purchases.

Key Takeaways

- State Public Schools funding is distributed to Local Education Agencies (LEAs) through allotments
- Allotments are distributed based on funding formulas that typically utilize student headcount and other targeted factors
- They also provide different kinds of support to LEAs, both in direct funding and instructional and administrative positions

LEA Flexibility



LEA Flexibility

Key Takeaways

- Allotments are simply the way money goes out the door
 - **Not** a requirement on how money is to be spent
- There is no “correct” level of LEA flexibility
- Disconnect between *perceived* flexibility and *actual* flexibility?

LEA Flexibility

The positive side of local control

- Increased local control can possibly
 - Better match school spending to local priorities
 - Allow LEAs to respond quickly to unforeseen spending needs or new opportunities
 - Instill sense of ownership for local educational outcomes

LEA Flexibility

The positive side of State control

- Greater State control can possibly
 - Equalize children's access to education regardless of residence
 - Increase oversight
 - Allow State and local decision-makers to combine resources and knowledge
 - Facilitate more radical reforms in low-performing school districts
 - Exploit certain economies of scale

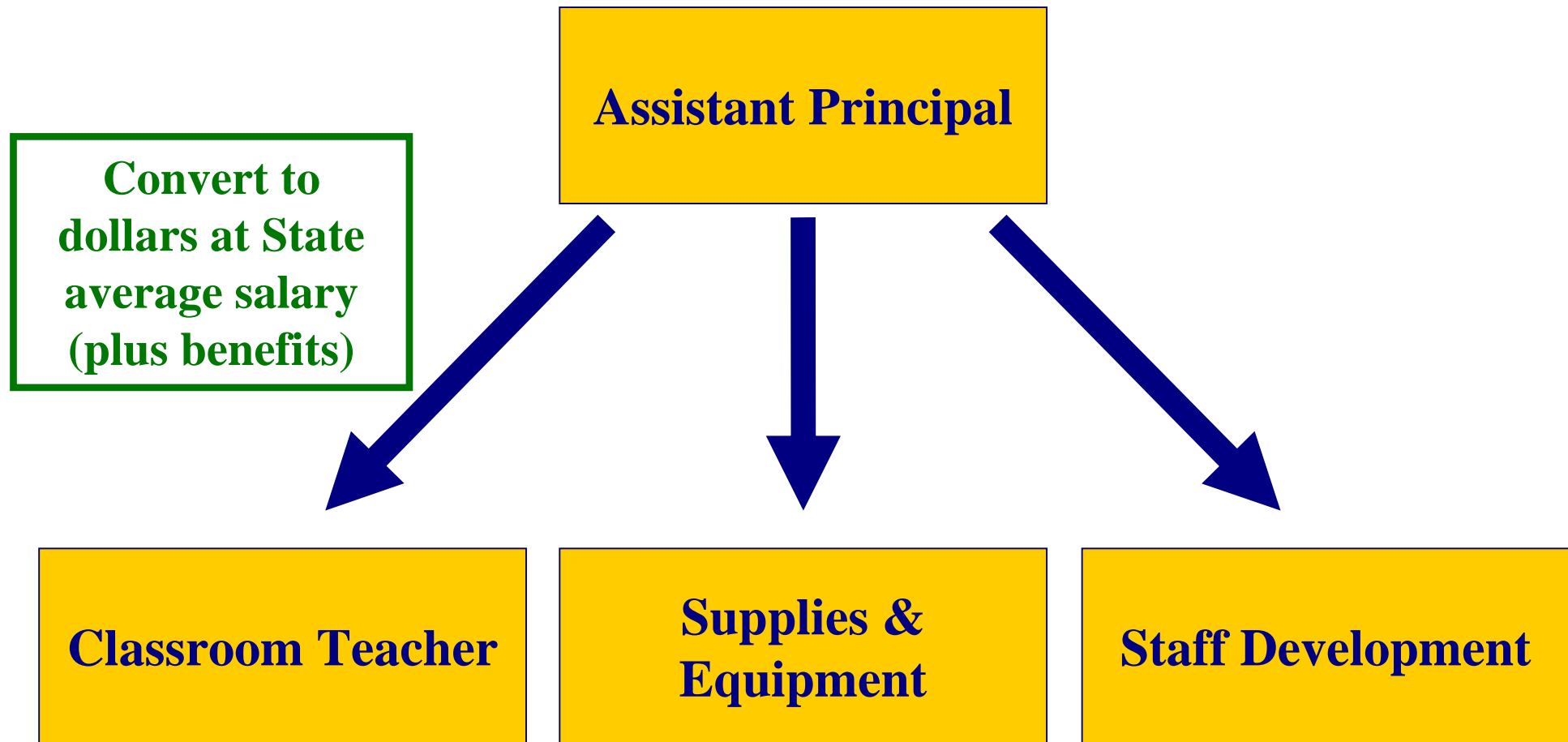
LEA Flexibility

Flexibility within position allotments

- Utilization of months of employment (MOE)
 - Each teacher position provides an LEA with 10 MOE; principal positions provide 12 MOE
 - LEA can hire 1 teacher for 10 months, 2 half-time teachers for 10 months, 10 teachers for 1 month, and so on...
 - As long as class size requirements are met, LEAs are free to assign teachers however they choose

LEA Flexibility

Flexibility within position allotments

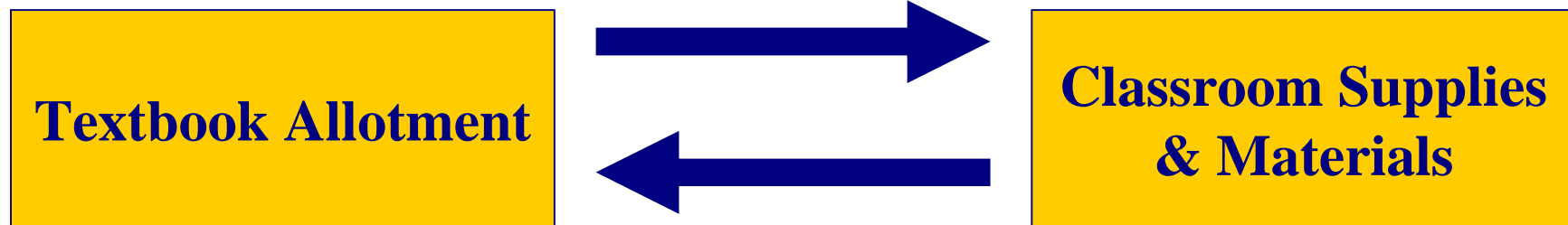


LEA Flexibility

Flexibility within dollar allotments

Most dollar allotments can be transferred for purchase of some other educational input

Example 1



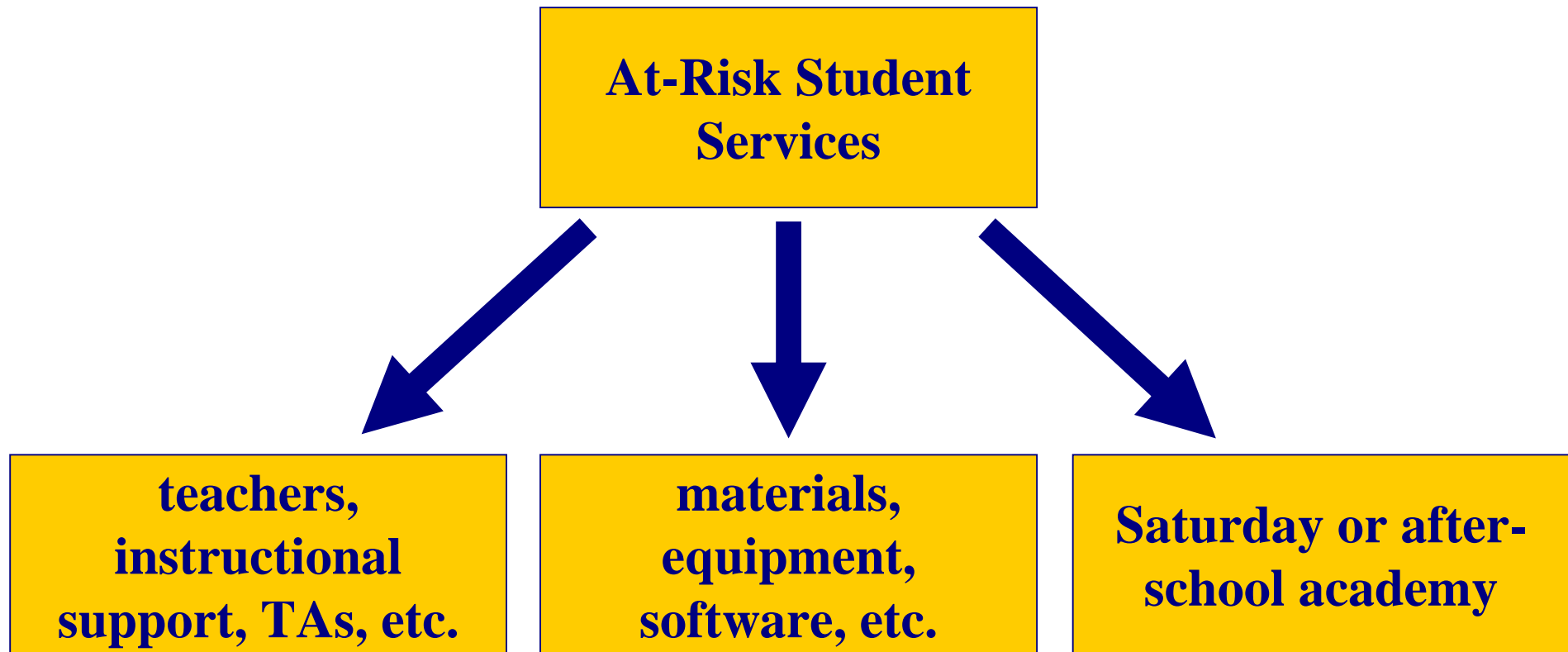
Example 2



LEA Flexibility

Flexibility within categorical allotments

Categorical allotments designed to provide flexibility to meet specific needs of targeted population

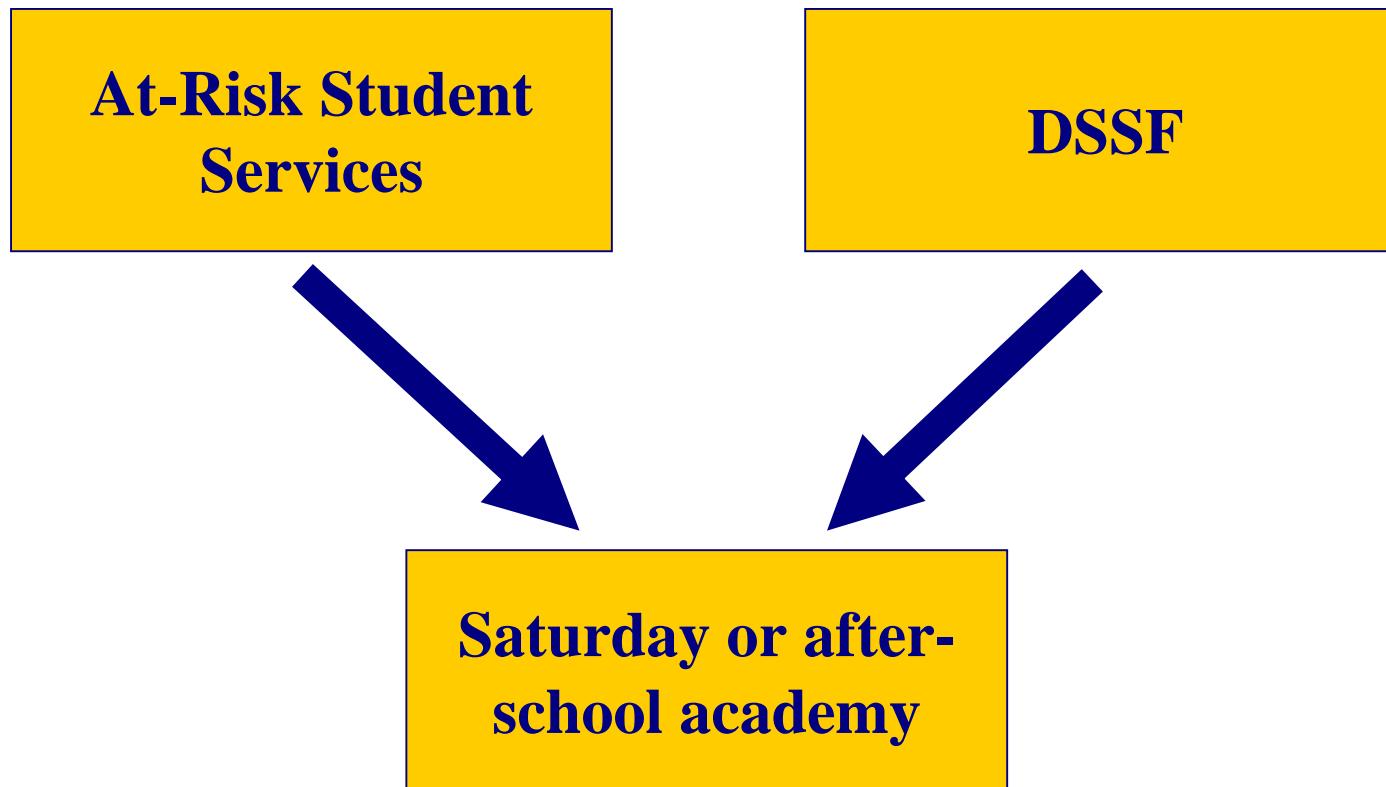


LEA Flexibility

Flexibility within categorical allotments (cont.)

LEAs can pool resources from multiple categories

Example 2



LEA Flexibility

An outside view: School Finance Redesign Project

- Case study of NC's school finance system
- Interviewed 49 State and LEA-level officials to determine factors enabling and constraining efforts to connect resource allocations with educational goals
- Enabling factors:
 - supportive and flexible arrangements

LEA Flexibility

An outside view: School Finance Redesign Project

- Constraining factors:
 - the perceived tendency for the state to ‘interfere’ by constraining local decision-making
 - strings on the use of resources (federal as well as State)
 - the legacy of centralization that contributed to a culture of ‘rule following’ rather than innovation
 - “Limited funding was mentioned as a constraint but was not a strong theme among interviewees.”
- Disconnect between *perceived* flexibility and *actual* flexibility?

LEA Flexibility

Key Takeaways

- Allotments are simply the way money goes out the door
 - **Not** a requirement on how money is to be spent
- There is no “correct” level of LEA flexibility
- Disconnect between *perceived* flexibility and *actual* flexibility?

Student Transportation



Key Takeaways

- Formula is necessarily complex to account for the wide variability of cost factors and site characteristics across North Carolina
- It has been generally successful in promoting improved Statewide efficiency
- There are questions about whether it adequately addresses non-traditional education programs, wealthier LEAs, and quality of service issues

Purpose of Allotment

- Transportation of Students
 - Provides funding to all public schools for the expenses related to the transport of all eligible school age students for travel to and from school
 - Program funds allotted to encourage efficient transportation
 - Does not provide funding for vehicle purchases, which are supported through a different funding source

Allotment Formula

- The current formula has been in place since 1990, and was implemented after a systemic review of the Transportation of Pupils allotment
 - S.L 1989-752, section 55 “...These recommendations shall include incentives for encouraging cost-effective operations in local school administrative units...”
- Funding for LEAs is calculated through a three-step process
 - Determination of LEA’s Funding Base
 - Determination of LEA’s “Budget Rating”
 - Multiplication of Factors 1 and 2, and adjustment for salaries and benefits and other legislative factors

Step 1: Determine Funding Base

- Use the Previous Years' Eligible Expenditures for calculating the Funding Base:
 - All State Expenditures
 - All Local Expenditures corresponding to a state object code
- Exceptions:
 - Equipment
 - Salaries in excess of the State maximum

Step 1 Continued

- Base appropriation assumes allotment growth consistent with ADM growth plus legislated salary and benefits increases
- Allotments for counties may be capped due to expenses that increase beyond these projections
 - Formula caps funding growth when expenditure growth exceeds ADM growth

Step 2: Determine Budget Rating

- Inputs:
 - Expenditures/Students Transported
 - Buses Operated/100 Students Transported
- Site Characteristics (to level the playing field):
 - Avg. Distance from School
 - Pupil Density
 - Elevation
 - Percentage of Children with Disabilities transported
- End result is a percentage (Budget Rating)

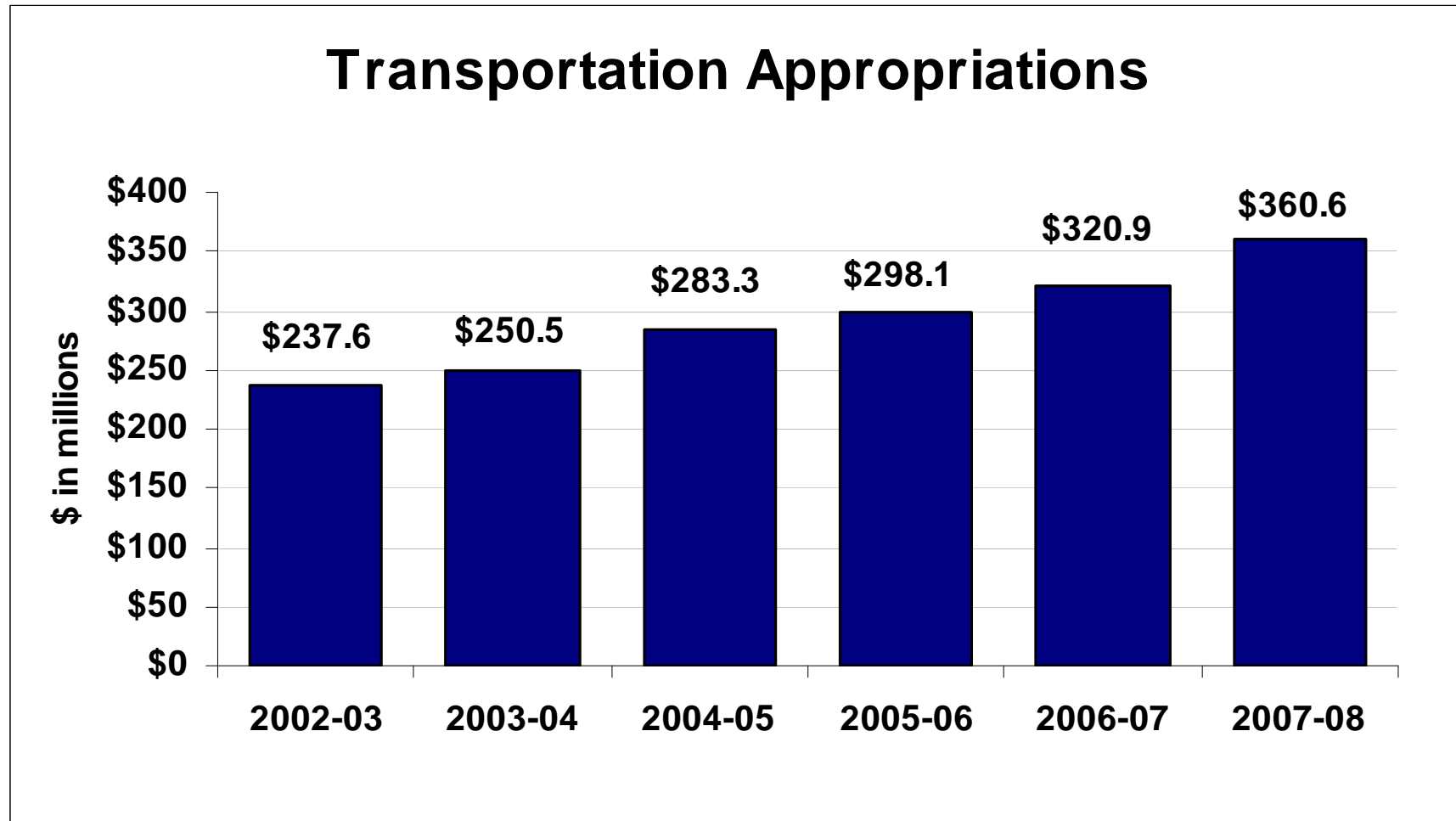
Step 3: Adjustments

- Multiply Budget Rating (Step 2) by Base Funding (Step 1)
- Add funding for (positive) growth in ADM
- Adjust for Legislative Increases

Formula-Hypothetical Example

[a] Prior Year State Expenditure	5,000,000
	+
[b] Prior Year Local Expenditure	500,000
	=
[c] Funding Base	5,500,000
	x
Multiply [c] by [d] Budget Rating	0.98
	=
[e] Base Funding	5,390,000
	x
Multiply [e] by	
[f] ADM Growth Adjustment	1.015
	=
	5,470,850
	x
Multiply by [g] Legislative Increase	1.04
	=
Final Funding Allotment	\$5,689,684

Funding History

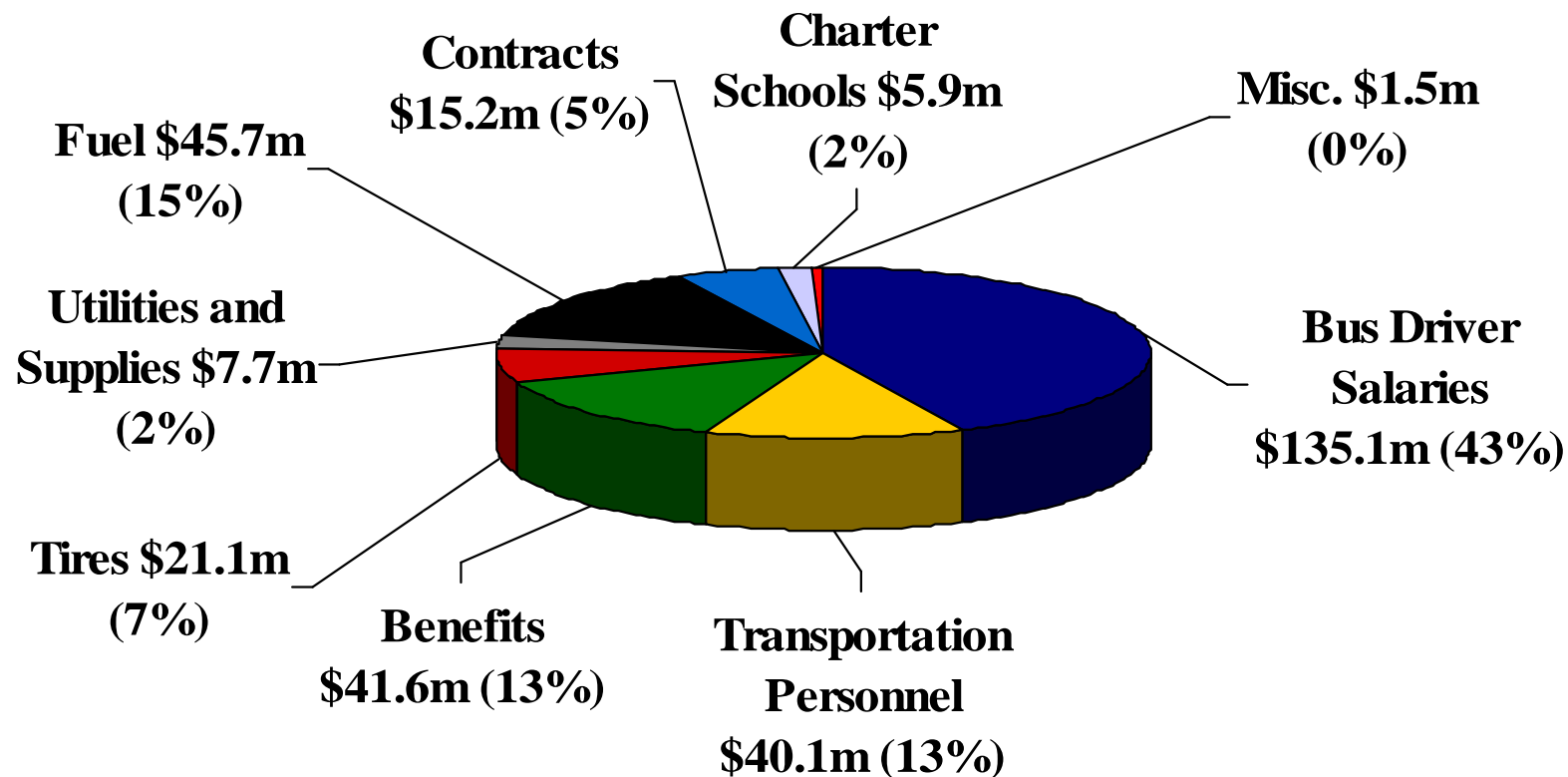


Expenditures

- Funds can support the following activities:
 - Transportation related expenses
 - Bus Drivers
 - Fuel Costs
 - Repair and Maintenance Costs
 - Contracted Transportation
- Funds do not support the purchase of replacement buses
 - Provided through separate allotment
- Funds may be transferred into and out of this allotment category

Expenditures-FY 2005-06 Statewide

2005-06 Transportation Expenditures

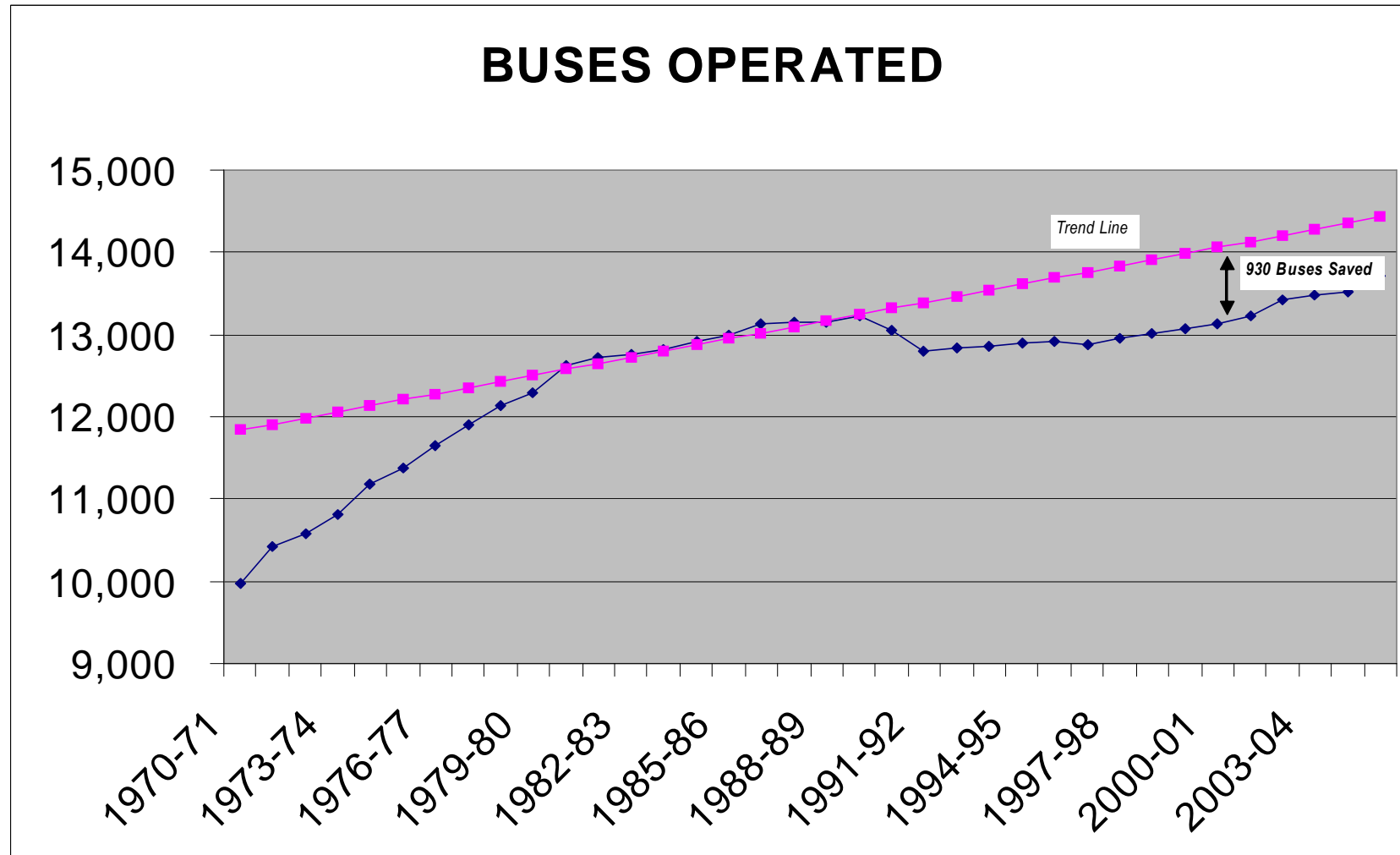


Allotment Evaluation

- 2006 Management Partnership Inc. study findings
 - Study commissioned by State Board of Education at the direction of the NC General Assembly
 - Significant consultation with LEAs
 - Charged with evaluating the success of funding formula in meeting its efficiency goals
- Judgment on Formula's Usefulness
 - Study found that Basic Formula has been successful in promoting efficiency in the size of bus fleet transported without increasing miles traveled per student

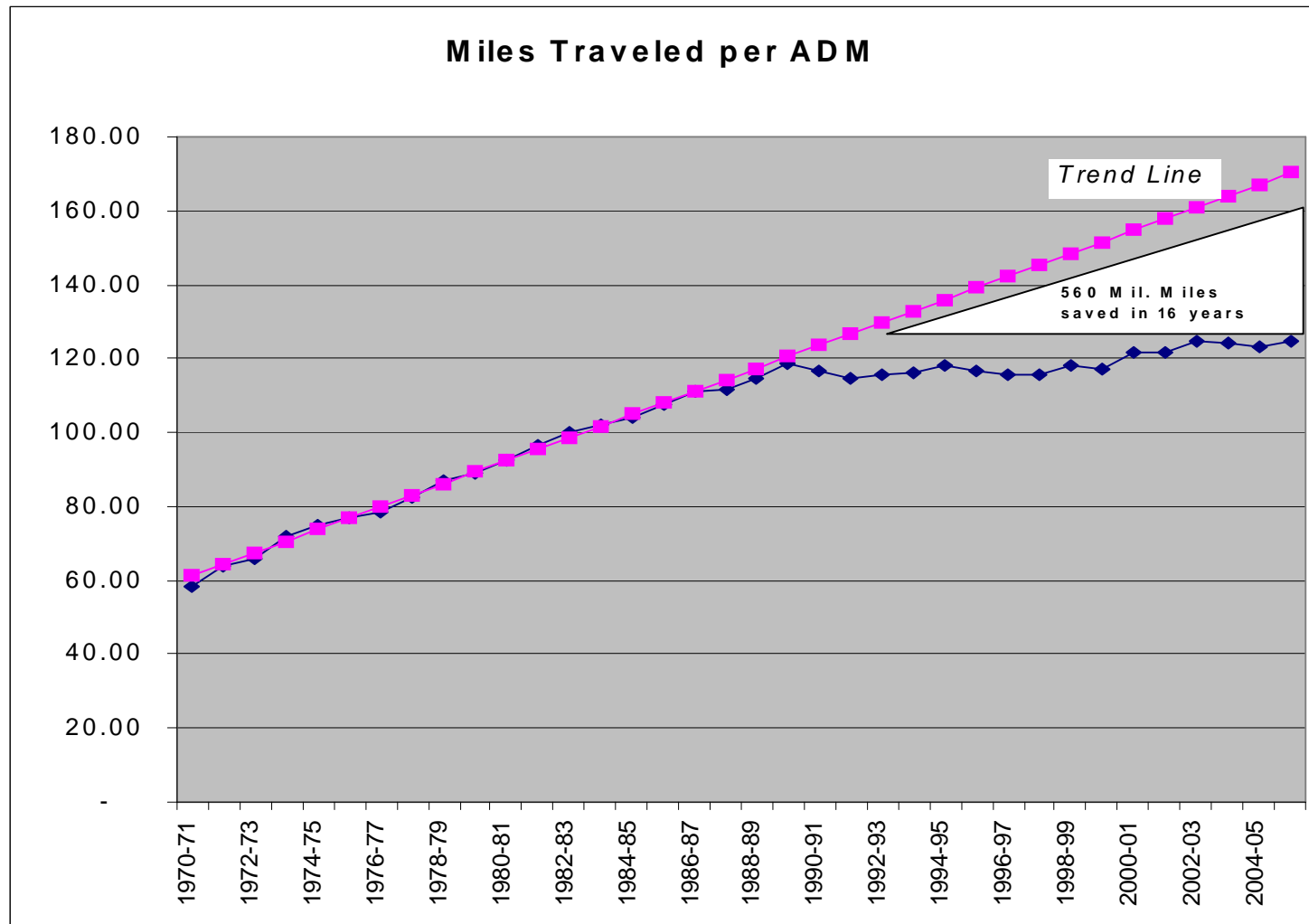
Allotment Evaluation-Continued

- Reduction in Projected Fleet Size:



Independent Evaluation-Continued

- Reduction in Projected Miles Traveled:



Evaluation-Outstanding Concerns

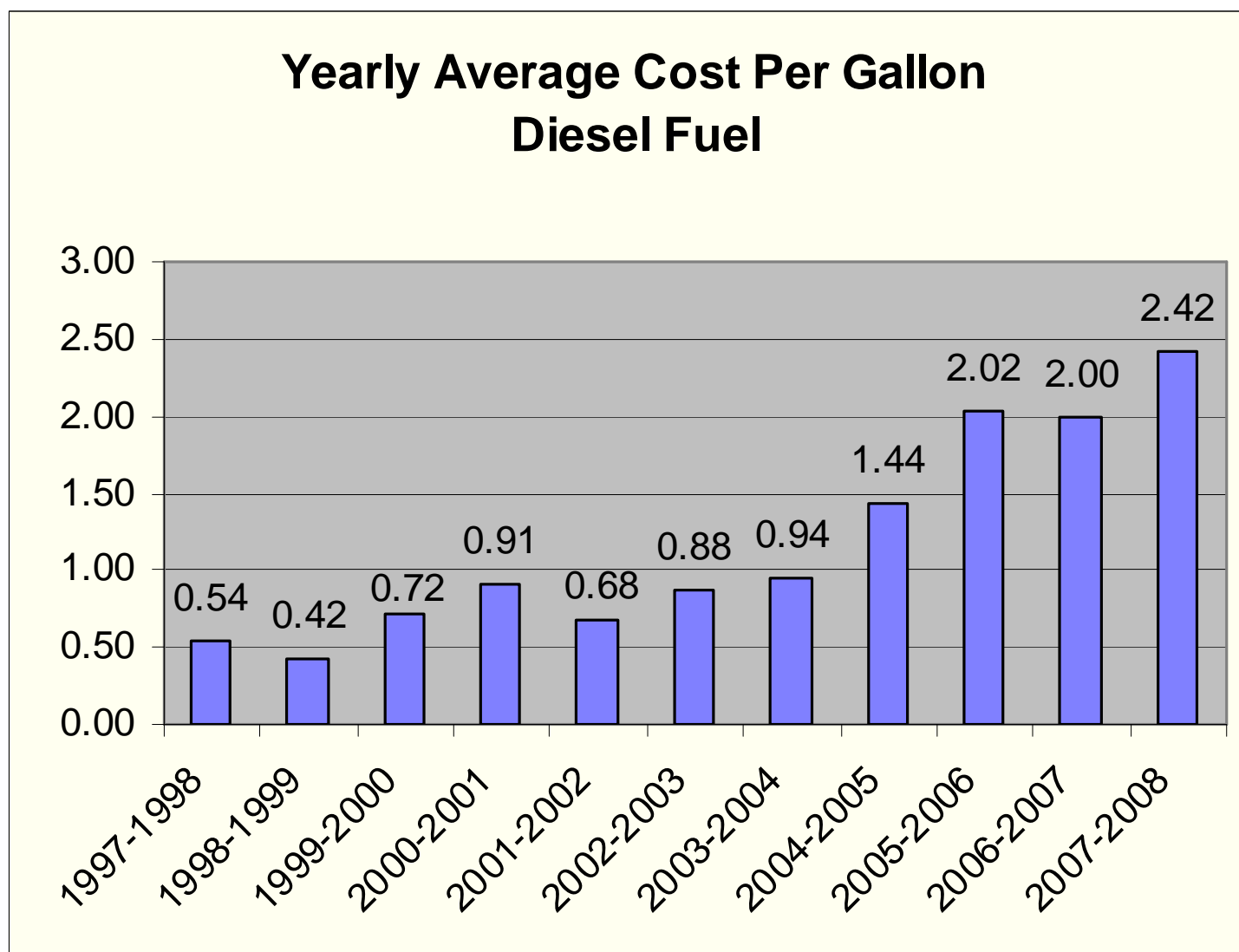
- Evaluation also identified areas for consideration
 - Unintended consequences for wealthier, efficient LEAs
 - Perpetuates State funding of local pupil transportation spending
 - May also advantage LEAs with a higher “base cost” when formula was first put into effect
 - Concerns that service may be traded for efficiency
 - Fewer buses with longer ride times

Evaluation-Outstanding Concerns Con't

- Additional Concerns
 - Non-traditional programs like Magnet Schools or open enrollment may negatively impact Budget Rating
 - Reduces Budget Rating for LEAs that begin such a program after formula was established
 - Challenge of Early College transportation and potential reductions in LEA efficiency

Other Concerns-Fuel

- Diesel fuel costs have grown substantially



Questions for Consideration

- Rewarding Local Effort
 - Adjust reimbursement for wealthier LEAs?
- Fuel Costs
 - Recent cost spikes outpacing Budgeted funding
- Non-traditional Programs
 - Consider separate funding mechanism for new efforts?
- Efficiency vs. Service
 - Lessen formula's focus on efficiency?

Key Takeaways

- Formula is necessarily complex to account for the wide variability of cost factors and site characteristics across North Carolina
- It has been generally successful in promoting improved Statewide efficiency
- There are questions about whether it adequately addresses non-traditional education programs, wealthier LEAs, and quality of service issues

Low Wealth Counties Supplemental Funding



Low Wealth Counties Supplemental Funding

Key Takeaways

- Low Wealth funding is a function of a county's ability to generate local revenue
 - **not** a function of the number of low income students in a county
- Not all counties funded at same rate
- Formula is less complicated than it appears
- Fluctuations / timing could make budgeting process difficult for LEAs

Low Wealth Counties Supplemental Funding

Purpose

- Supplemental funds for counties that have below State-average ability to generate local revenue to support public schools

Eligibility

- LEAs located in counties in which the calculated county wealth is less than 100% of the State average
 - Number of low income students is **not** a factor

Low Wealth Counties Supplemental Funding

Allotment Formula

- Three basic steps:
 1. Determine a county's "wealth"
 2. Determine eligibility by comparing county wealth with statewide average
 3. Determine how much supplemental funding would be required to bring that county up to the statewide average local revenue per student

Low Wealth Counties Supplemental Funding

Allotment Formula Step 1 - Comparability

County Revenue:	
Calculate County Adjusted Property Tax Base:	
Real Property	\$5,162,823,235
Less: Agricultural Use Value	96,658,196
Property Value to be Adjusted	\$5,066,165,039
Divided by : Weighted Sales Assessment Ratio	0.8753
Adjusted Real Property Value	5,787,918,473
Plus : Public Service Company Value	176,170,725
Plus : Personal Property Value	1,165,550,616
Plus : Agricultural Use Value	96,658,196
County Adjusted Property Tax Base	\$7,226,298,010
Convert County Adjusted Property Tax Base to Anticipated Revenue:	
(a) = County Adjusted Property Tax Base	\$7,226,298,010
(b) = State Average "Effective" Tax Rate	0.5960
(State Average Tax Rate for all Counties after adjusting each County's Actual Tax Rate by the County's Weighted Sales Assessment Ratio) (per \$100 in Property Value)	
(a)/100 x (b) = (c) Anticipated County Property Tax Revenue	\$43,068,736
Plus : Additional Revenue * :	26,931,921
* (Local Sales and Use Taxes, Fines and Forfeitures)	
(d) = Anticipated Total County Revenue Availability	\$70,000,657
Calculate Anticipated Total County Revenue Availability per Student:	
(e) = Total County's Average Daily Membership (ADM)	23,388
(d)/(e) = (f) Anticipated Total County Revenue Availability per Student	\$2,993
(g) = Anticipated State Average Revenue Availability per Student	\$4,326
County Percentage of State Average County Revenue per Student	
(f)/(g) =	69.19%

Assessed Value
Sale Price

Sales Assessment Ratio
X
Actual Tax Rate

Low Wealth Counties Supplemental Funding

Allotment Formula Step 1 - Comparability (cont.)

Density Adjustment:

(a) = County Adjusted Property Tax Base	\$7,226,298,010
(b) = Square Miles in County	766.818
(a)/(b) = (c) County Adjusted Property Tax Base per Square Mile	\$9,423,746
(d) = State Average Adjusted Property Tax Base per Square Mile	\$15,610,449
County Percentage of State Average Property Tax Base per Square Mile	
(c)/(d) =	60.37%

Per Capita Income:

(a) = County 3 Year Average Per Capita Income	25,864
(b) = State 3 Year Average Per Capita Income	28,230
County Percentage of State 3 Year Average Per Capita Income	
(a)/(b) =	91.62%

Low Wealth Counties Supplemental Funding

Allotment Formula Step 2 - Eligibility

County Wealth Percentage (eligible if < 100%):

40% of the County Percentage of Revenue Base per Student	$40\% \times 69.19\% =$	27.68%
10% of the County Percentage of Property Base per Mile	$10\% \times 60.37\% =$	6.04%
50% of the County Percentage of Per Capita Income	$50\% \times 91.62\% =$	45.81%
County Wealth as a Percentage of State Average Wealth		79.53%

**If County Wealth % < 100%, then
county is eligible for Low Wealth**

**79.53% = “Low Wealth Percentage”
used in DSSF formula**

Low Wealth Counties Supplemental Funding

Allotment Formula Step 3 - Effort & Funding

- Eligible counties must meet one of the following criteria:
 - 1) Effective tax rate equal to or above the State average
or
 - 2) Local contributions equal to or exceeding what the formula calculates that a county could contribute, given its level of wealth
- Provides incentive for counties to maintain or increase local contributions

Low Wealth Counties Supplemental Funding

Allotment Formula Step 3 - Effort & Funding (cont.)

1st way to meet effort requirement:

(a) = County's Tax Rate (Prior Year) <i>(Per \$100 in Property Valuation)</i>	0.6700
(b) = Weighted Sales Assessment Ratio	0.8753
(a) × (b) = (c) Effective County Tax Rate	0.5860
Effective State Average Tax Rate	0.5960

If greater than Effective State Average Tax Rate, county funded at 100%

2nd way to meet effort requirement:

Actual County Appropriation to Schools	\$21,205,404
County's ADM	23,388
(a) = Actual County Appropriation per ADM	\$906.68
(b) = State Average Local Appropriation per ADM	\$1,353.60
(c) = County Wealth as a Percentage of State Average	79.53%
(b) × (c) = (d) Calculated County Appropriation per ADM	\$1,076.52
Local Effort % = Actual County Appropriation as a Percentage of (a)/(d) = (e) Calculated County Appropriation per ADM	84.20%

If greater than 100%, county funded at 100%, otherwise funded at Local Effort %

Low Wealth Counties Supplemental Funding

Allotment Formula Step 3 - Effort & Funding (cont.)

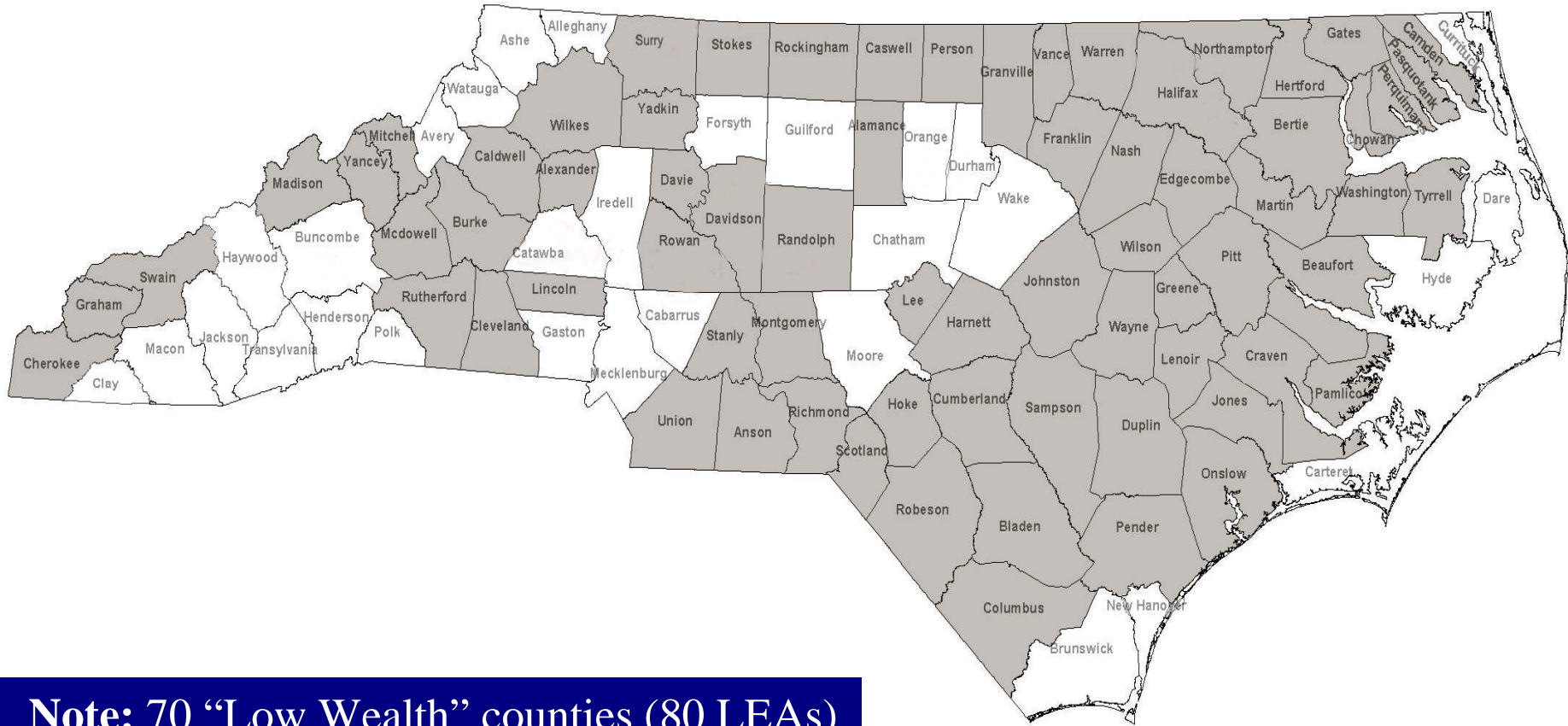
Calculation of Total (100%) Funding:	
(a) = State Average Local Appropriation per ADM	\$1,353.60
(b) = County Wealth as a Percentage of State Average	79.53%
(a) × (b) = (c) Calculated County Appropriation per Student	\$1,076.52
(a) - (c) = (d) Difference From State Average (if more than State Average, then Difference = 0)	\$277.08
(e) = Total County's Average Daily Membership (ADM)	23,388
(d) × (e) = (f) Unadjusted Allotment (if funded at 100%)	\$6,480,347
Calculation of Local Effort % Proration:	
Unadjusted Allotment	\$6,480,347
Final Funding %	84.20%
Adjusted Allotment by Local Effort %	\$5,456,452

Low Wealth Counties Supplemental Funding

Allotment Formula Recap

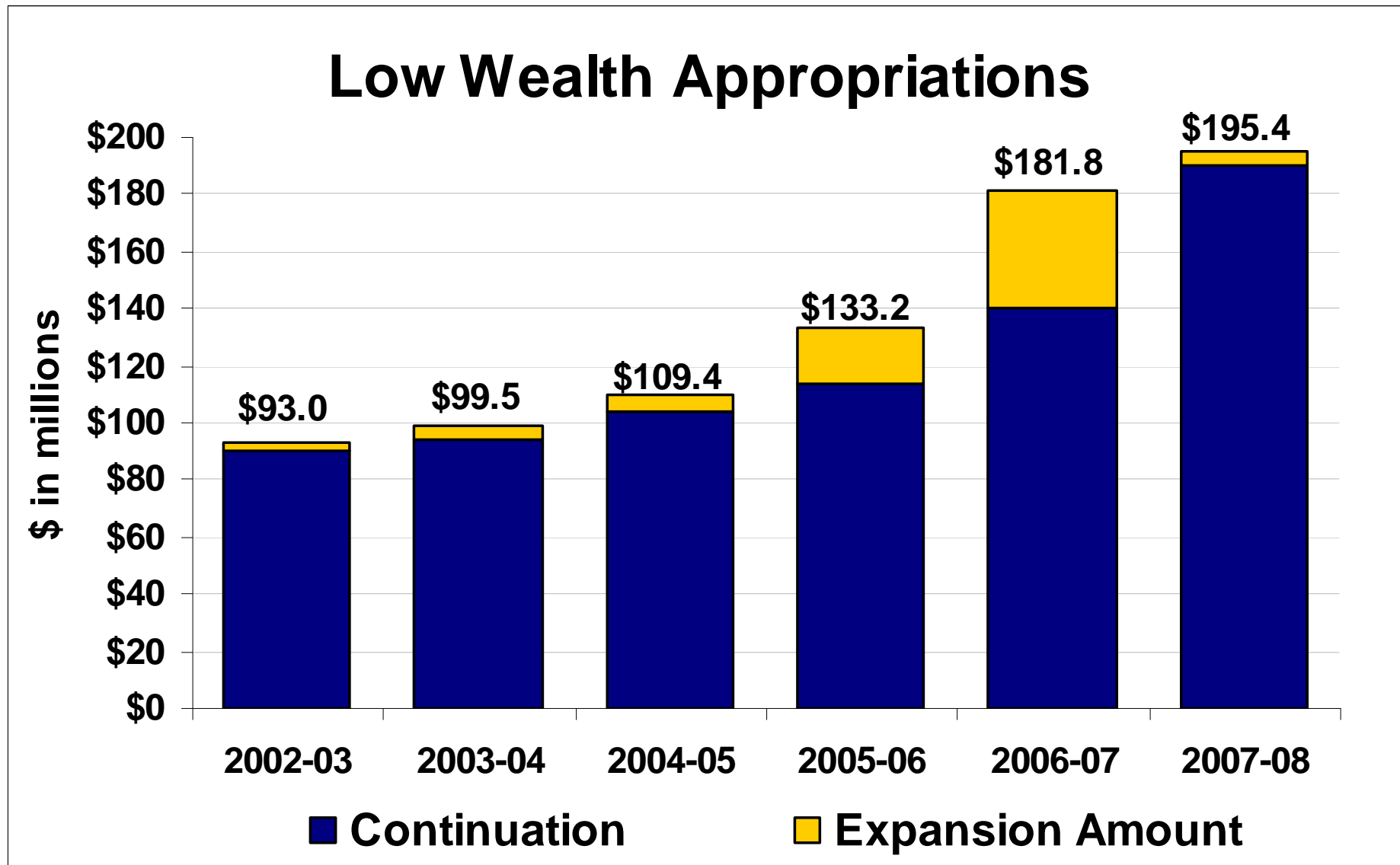
- Three basic steps:
 1. What is the county's level of wealth?
 2. Is the county eligible for funds (based on comparison of county wealth to statewide average)?
 3. How much supplemental funding required to bring county up to the statewide average?

Low Wealth Counties Supplemental Funding



Note: 70 “Low Wealth” counties (80 LEAs)

Low Wealth Counties Supplemental Funding



Source: Department of Public Instruction

Low Wealth Counties Supplemental Funding

2007 Hold Harmless Appropriation

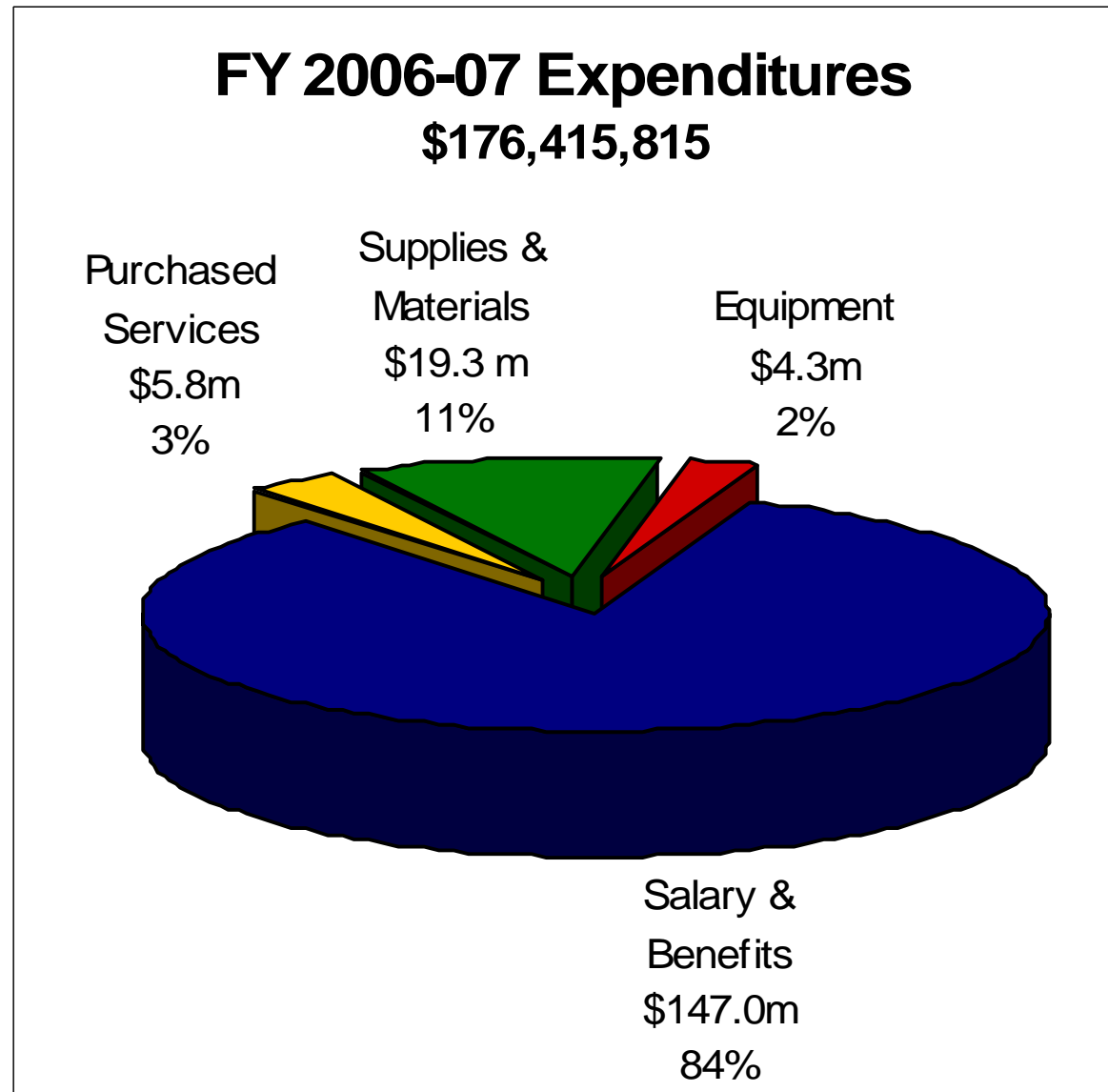
- For 07-08, 27 LEAs received non-recurring appropriations replacing 75% of decrease in Low Wealth funding from 06-07
- Total expansion appropriation: \$5,445,081 (NR)

Low Wealth Counties Supplemental Funding

Eligible Uses of Funds

- Instructional positions
- Substitutes
- Instructional support positions
- Teacher assistant positions
- Clerical positions
- Overtime pay
- Instructional equipment
- Instructional supplies & materials
- Staff development
- Fringe benefits
- Textbooks
- Supplements for instructional personnel & instructional support personnel

Low Wealth Counties Supplemental Funding



Source: Department of Public Instruction

Low Wealth Counties Supplemental Funding

Formula Challenges

- Funding level fluctuations
 - For 07-08 year
 - 19 LEAs experienced absolute change $> 20\%$ over 06-07
 - 25 LEAs experienced absolute change $> \$250,000$
 - Fluctuations largely driven by new county assessment
 - Assessments required every 4 to 8 years
- Timing on local budget process
 - Counties receive planning allotment by late May or early June
 - School boards must submit budget to county manager by May 15

Low Wealth Counties Supplemental Funding

Key Takeaways

- Low Wealth funding is a function of a county's ability to generate local revenue
 - **not** a function of the number of low income students in a county
- Not all counties funded at same rate
- Formula is less complicated than it appears
- Fluctuations / timing could make budgeting process difficult for LEAs

Low Wealth Counties Supplemental Funding

Questions for Consideration

- Should eligibility be adjusted to include more/less LEAs?
- Should adjustments be made to decrease funding fluctuations, or continue with occasional hold-harmless funding?
- Can timing be adjusted to improve local budget process?
- Should formula name be changed?

Small County Supplemental Funding

Key Takeaways

- Attempts to meet the unique needs that LEAs in small counties face due to their lower ADM
- Only 27 of 115 LEAs receive this support, but not all receive the same amount

Purpose of Allotment

- Small County Supplemental Funding
 - Provides additional support for certain small school systems with structural disadvantages, such as:
 - An inability to benefit from the economies of scale that LEAs in larger counties do, potentially leaving LEAs in small counties to be allotted insufficient resources to provide basic instructional and administrative functions
 - Relatively small ADM which limits the amounts of funding for certain position and dollar allotments

Eligibility

- County LEAs are only eligible for Small County Supplemental funding if they meet one of the following conditions:
 - Have an allotted ADM of fewer than 3,239 students;
or
 - Have an ADM of between 3,239 and 4,080 and a county-adjusted property tax base per student that is below the State-adjusted property tax base per student
- City LEAs are ineligible for this allotment

Allotment Formula

- Total funding for eligible LEAs is calculated by aggregating 7 different funding considerations:
 1. Dollar equivalent of rounding up all fractions of position allotments to the next whole position
 - If an LEA qualifies for 12.1 4th grade teacher salaries, they would receive 0.9 of the dollar equivalent of an average teacher salary and benefits
 2. Dollar equivalent of five and one-half additional regular classroom teachers for LEAs in which the ADM per square mile is greater than four
 3. Dollar equivalent of additional program enhancement teachers adequate to offer the standard course of study

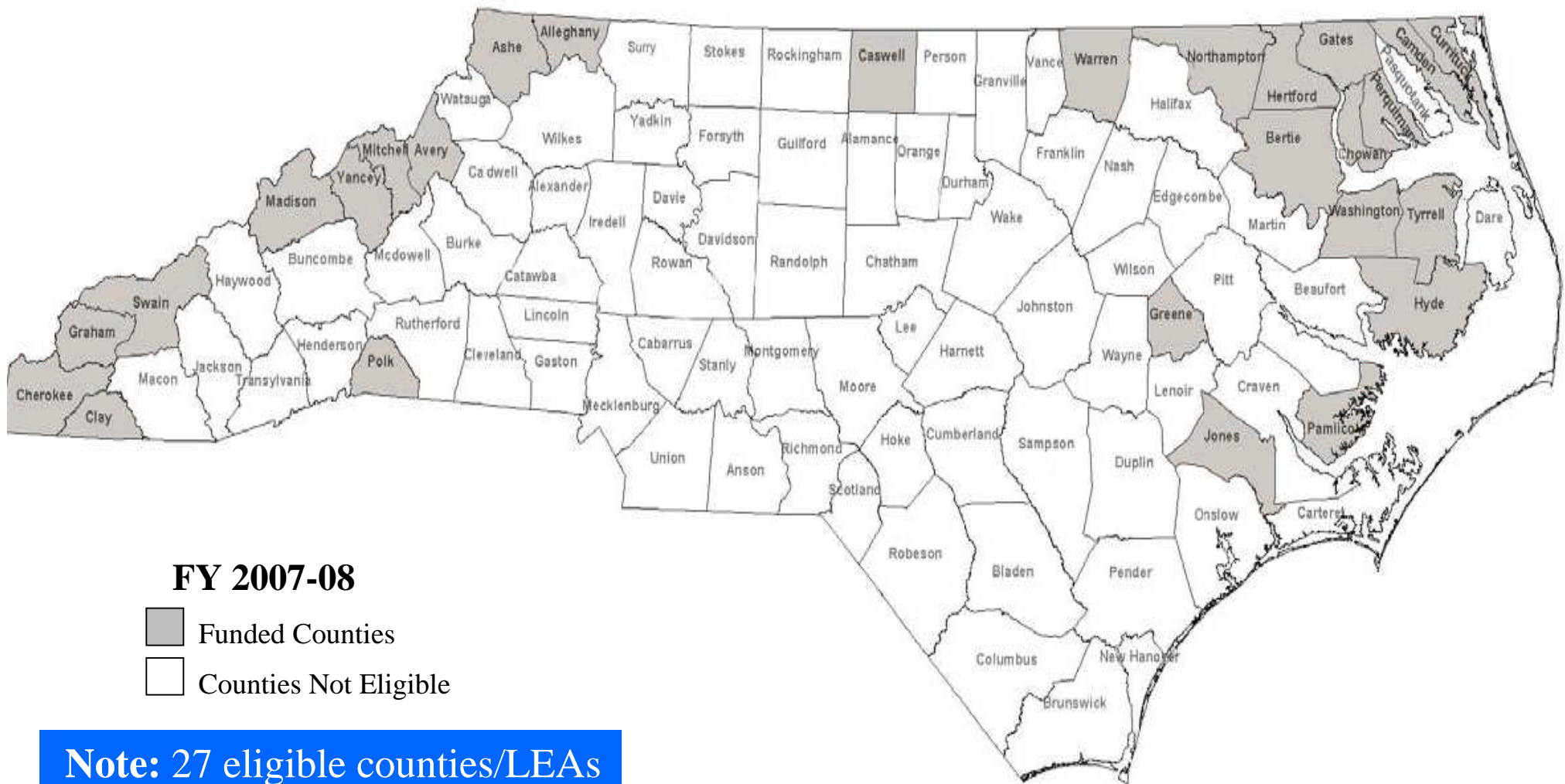
Allotment Formula-Funding Components

- Additional funding considerations:
 4. Dollar equivalent of one teacher assistant per 400 ADM less the initial duty-free period allocation (\$2 per ADM)
 5. Dollar difference between Classroom Materials/Instructional Supplies/Equipment allotment and \$788,789
 6. Dollar equivalent of Career Technical Education months of employment and program support generated based on sixth grade ADM
 7. Additional funds to Counties with $< 1,300$ in ADM

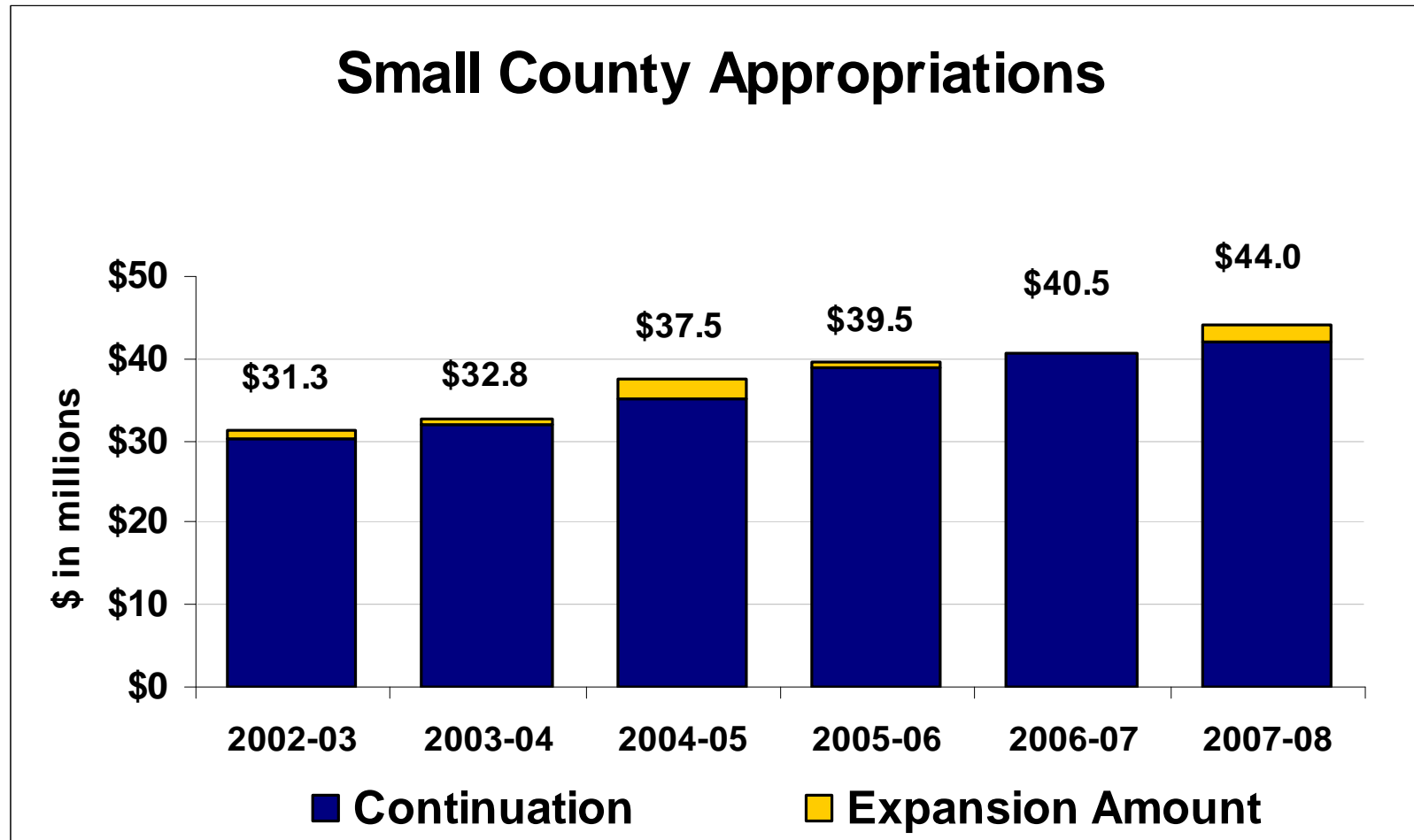
Allotment Formula-Other Issues

- Pro Rata Reduction
- Hold Harmless (seven years)
- Non-supplant requirement

Which Counties Receive Funding?



Funding History



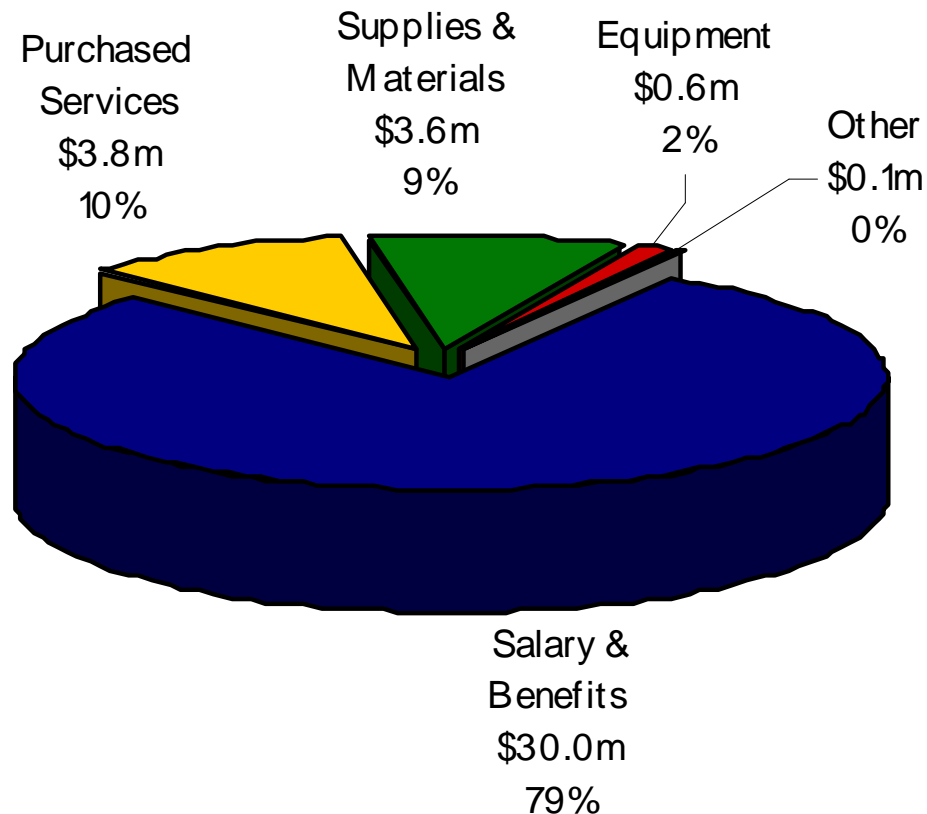
Expenditures

- Funds can be used for virtually any purpose with two significant exceptions:
 - Central Office Administration
 - Capital Construction Projects
- State Board policy is to encourage 20% of Small County funding to be used to improve student performance for certain students in grades 3-8

Actual 2006-07 Expenditures

Small County

2006-07 Total: \$38,121,837



Questions to Consider

- Hold Harmless
 - Is seven years more or less than sufficient for an LEA to adjust to potential loss of funding?
- Complexity of Formula
 - Are the seven facets of this formula the appropriate response to small county challenges and true needs?
- Eligibility
 - Are criteria overly stringent? Too permissive?
- Funding Fluctuation
 - Does formula cause too much annual variance?

Key Takeaways

- Attempts to meet the unique needs that LEAs in small counties face due to their lower ADM
- Only 27 of 115 LEAs receive this support, but not all receive the same amount

Disadvantaged Student Supplemental Funding (DSSF)



Disadvantaged Student Supplemental Funding

Key Takeaways

- DSSF funding is a function of an LEA's population of disadvantaged children
- Designed to be stable
- Expenditures are flexible, but require "DSSF Plan"

Disadvantaged Student Supplemental Funding

Purpose

- Provides supplemental funding to LEAs to enhance capacity to address the needs of disadvantaged students

Eligibility

- All LEAs are eligible

Disadvantaged Student Supplemental Funding

Allotment Formula

- Two basic steps:
 1. Estimate DSSF population
 2. Provide allotment based on Low Wealth percentage

Low Wealth Percentage	Allotment	Allotment Per DSSF Child
> 90%	\$53,401 for every 420.0 DSSF population	\$127
80% – 90%	\$53,401 for every 273.0 DSSF population	\$196
< 80%	\$53,401 for every 238.4 DSSF population	\$224
Original 16 LEAs	\$53,401 for every 67.2 DSSF population	\$795

- Teacher salary & benefits: \$53,401

Disadvantaged Student Supplemental Funding

Allotment Formula

1. Estimate the number of disadvantaged students in an LEA
2. Calculate the **targeted allotment ratios** for the Fundable Disadvantaged Population using the Low Wealth percentage
3. Provide each LEA the dollar equivalent of the difference between a teacher-to-student ratio of 1:21 and the LEA's targeted allotment ratio

Disadvantaged Student Supplemental Funding

Allotment Formula Step 1: Estimating Population

1. Compile the following data to for each LEA:
 - % of students living in a single parent family
 - % of population age 5-17 below poverty line
 - % of students who have at least one parent with less than a high school degree

LEA Name	Percent of Public School Students Living in a Single Parent Family	Percent of Population Age 5-17 Below Poverty Line	Percent of Public School Students Who Have at Least One Parent with Less Than High School Degree
Halifax County	41.53	33.65	27.90

Disadvantaged Student Supplemental Funding

Allotment Formula Step 1: Estimating Population

2. Calculate each LEA's **percent deviation**: the percent by which each LEA deviates from the State average for the composite of variables
 - Utilizes statistical method called “principal components”
 - Weights variables based on predicative validity of meeting grade-level achievement
 - Variables updated once every 5 years to facilitate long-term planning

Disadvantaged Student Supplemental Funding

Allotment Formula Step 1: Estimating Population

3. Find each LEA's **Disadvantaged Population Percentage** by adding or subtracting each LEA's percent deviation, as calculated in 'Step 2,' from the fixed State Average Disadvantaged Percentage.

$$\begin{array}{|c|} \hline \text{State Average} \\ \text{Disadvantaged} \\ \text{Percentage} \\ \text{(24.13\%)*} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{LEA's percent} \\ \text{deviation} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{LEA's} \\ \text{Disadvantaged} \\ \text{Population} \\ \text{Percentage} \\ \hline \end{array}$$

* percentage of students performing below grade level on the ABCs, 5-year average

Disadvantaged Student Supplemental Funding

Allotment Formula Step 1: Estimating Population

4. Multiply the **Disadvantaged Population Percentage** by a LEA's ADM to determine that LEAs **Fundable Disadvantaged Population**

$$\begin{array}{|c|} \hline \text{LEA's} \\ \text{Disadvantaged} \\ \text{Population} \\ \text{Percentage} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{LEA's} \\ \text{ADM} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{LEA's} \\ \text{Fundable} \\ \text{Disadvantaged} \\ \text{Population} \\ \hline \end{array}$$

Disadvantaged Student Supplemental Funding

Allotment Formula Step 2: Targeted Allotment Ratio

- Calculate the **targeted allotment ratios** for the Fundable Disadvantaged Population using the Low Wealth percentage:

Low Wealth Percentage	Targeted Allotment Ratio
> 90%	1 to 20.0
80% – 90%	1 to 19.5
< 80%	1 to 19.3
Original 16 LEAs	1 to 16.0

Disadvantaged Student Supplemental Funding

Allotment Formula Step 3: Funding

- Provide each LEA the difference between a teacher-to-student ratio of 1:21 and the LEA's targeted allotment ratio (from previous page)
- Convert the teaching positions to dollars by using the state average teacher salary (including benefits)

Disadvantaged Student Supplemental Funding

Allotment Formula Step 3: Funding

1)
$$\frac{\text{Fundable Disadvantaged Population}}{\text{Average statewide teacher-to-student ratio (1:21)}} = \text{Average \# of teachers for Disadvantaged Population}$$

2)
$$\frac{\text{Fundable Disadvantaged Population}}{\text{Targeted Allotment Ratio (based on Low Wealth \%)}} = \text{Targeted \# of teachers for Disadvantaged Population}$$

Disadvantaged Student Supplemental Funding

Allotment Formula Step 3: Funding

$$3) \quad \boxed{\text{Targeted \# of teachers for Disadvantaged Population}} - \boxed{\text{Average \# of teachers for Disadvantaged Population}} = \boxed{\text{DSSF position allotment}}$$

$$4) \quad \boxed{\text{DSSF position allotment}} \times \boxed{\text{Average teacher salary plus benefits (\$53,401)}} = \boxed{\text{DSSF dollar allotment}}$$

Disadvantaged Student Supplemental Funding

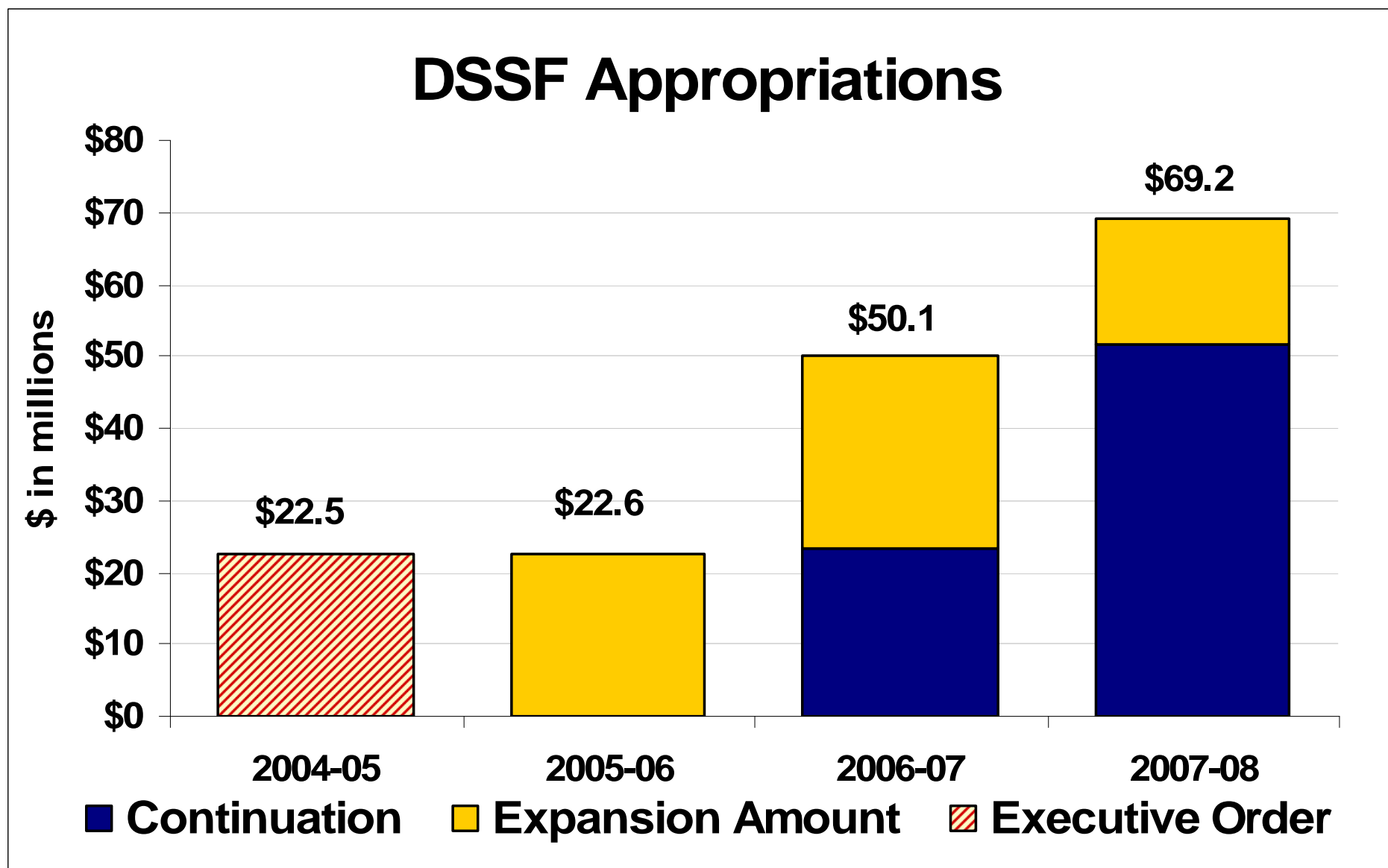
Allotment Formula Recap

- Two basic steps:
 1. Estimate DSSF population
 2. Provide allotment based on Low Wealth percentage

Low Wealth Percentage	Allotment	Allotment Per DSSF Child
> 90%	\$53,401 for every 420.0 DSSF population	\$127
80% – 90%	\$53,401 for every 273.0 DSSF population	\$196
< 80%	\$53,401 for every 238.4 DSSF population	\$224
Original 16 LEAs	\$53,401 for every 67.2 DSSF population	\$795

- Teacher salary & benefits: \$53,401

Disadvantaged Student Supplemental Funding



Source: Department of Public Instruction

Disadvantaged Student Supplemental Funding

DSSF Plan

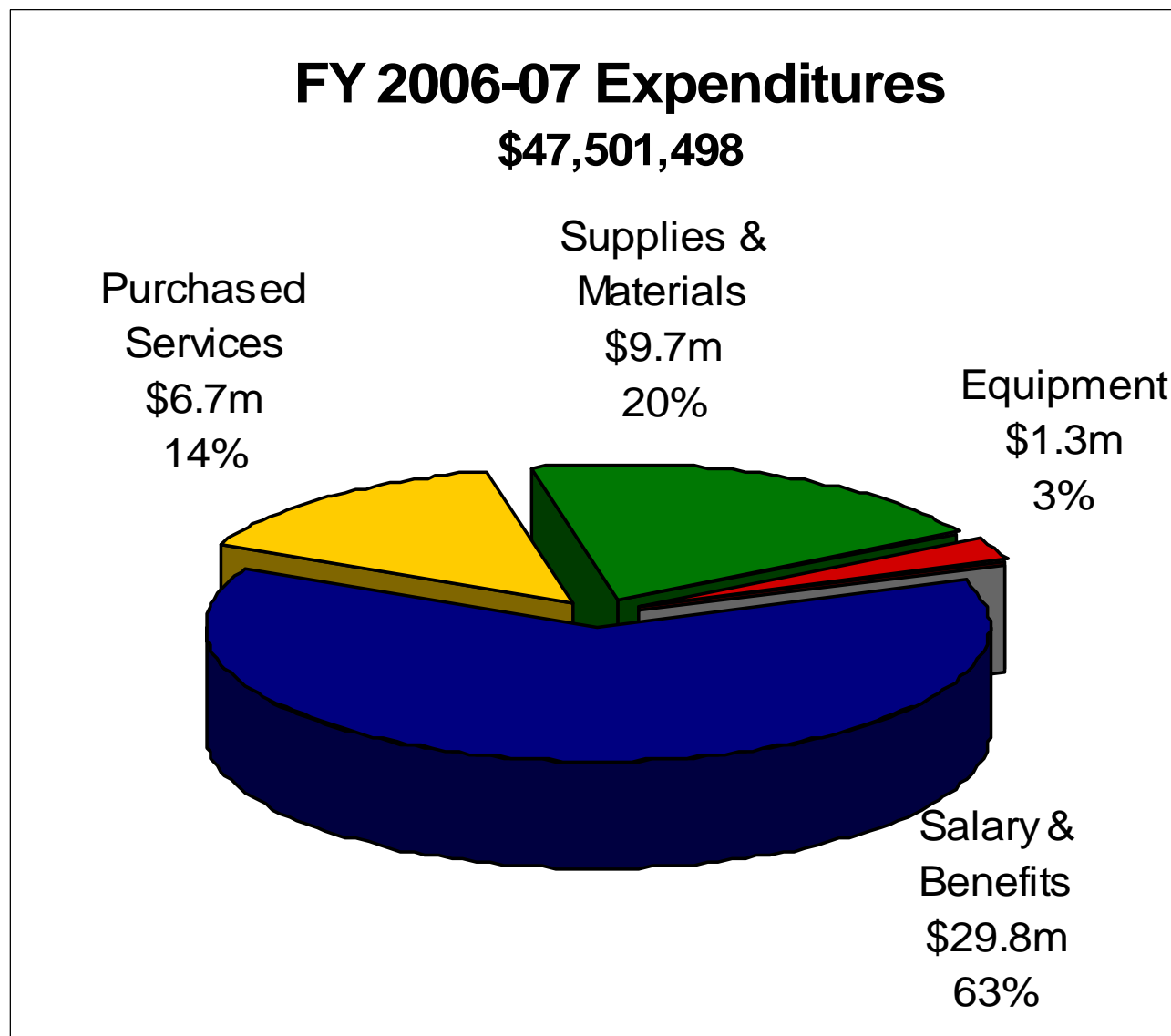
- LEAs must submit a DSSF plan detailing how it will expend DSSF funds
- The DSSF plan must:
 - Focus on the needs of the students not achieving grade-level proficiency
 - Detail how funds will be used in conjunction with all other supplemental funding allotments to meet the educational needs of these students
 - Be approved by the State Board of Education before funding is distributed

Disadvantaged Student Supplemental Funding

Eligible Uses of Funds

- Instructional positions or instructional support positions and/or professional development
- Intensive in-school and/or after school remediation
- Diagnostic software and progress-monitoring tools
- Funds for teacher bonuses and supplements. A maximum of 35% of the funds may be used for this purpose.

Disadvantaged Student Supplemental Funding



Source: Department of Public Instruction

Disadvantaged Student Supplemental Funding

Key Takeaways

- DSSF funding is a function of an LEA's population of disadvantaged children
- Designed to be stable
- Expenditures are flexible, but require "DSSF Plan"

Disadvantaged Student Supplemental Funding

Questions for Consideration

- Does formula properly identify the disadvantaged population?
- Should pilot LEAs continue to receive higher funding levels?
- Should adjustments be made for wealth level when we already have Low Wealth supplemental funding?

Education of Children with Disabilities



Key Takeaways

- Support for children with disabilities is calculated on basis of specific funded headcount, regardless of the severity of a student's disability
- State funding supplements federal “IDEA” monies and other State resources that children with disabilities generate through basic allotments
- These resources are used to provide a supplemental program of support that meets the educational and service needs of eligible students

Purpose

- Support for LEAs to fulfill statutory requirement (G.S. 115C-106.1) to “...provide full educational opportunity to all children with disabilities...”
- Fund local programs that emphasize special education and related services designed to meet the unique needs of children with disabilities and prepare them for further education, employment, and independent living

Eligibility

- All LEAs are eligible
- LEAs failing to comply with federal Individual with Disabilities Education Act (IDEA) and/or State requirements may have funding reduced

Allotment Formula--Part 1

- Funding for Children with Disabilities (ages 5-20) is computed using two components:
 1. Number of Eligible Children with Disabilities
 - Eligibility defined by State Board of Education
 - April 1 count of students used for upcoming fiscal year
 - Select the **lesser** of the April 1 count or an overall 12.5 percent cap on Allotted ADM
 2. Funding Factor- Dollars per eligible funded headcount
 - Set through appropriations process
- Multiply (1) and (2) for a final allotment amount

Allotment Formula—Part 2

- Allotment also includes support for Preschool Handicapped State Funding (ages 3,4 and pre-K5)
 1. Base Funding
 - Every LEA receives amount equal to the average salary of a classroom teacher plus benefits
 2. Additional Funding
 - Distributed to LEA based on April 1 child count
- LEAs are also reimbursed for the educational cost of children with disabilities assigned to group homes, foster homes or similar facilities

Formula—2007-08 Example

School-Age Children with Disabilities Funding

April 1, 2007 Headcount (conducted by LEA)	2,897
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Total ADM	22,928
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12.5% of ADM (statutory cap)	2,866
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LEA Headcount is greater than 12.5% cap, so use 2,866 as funded headcount.

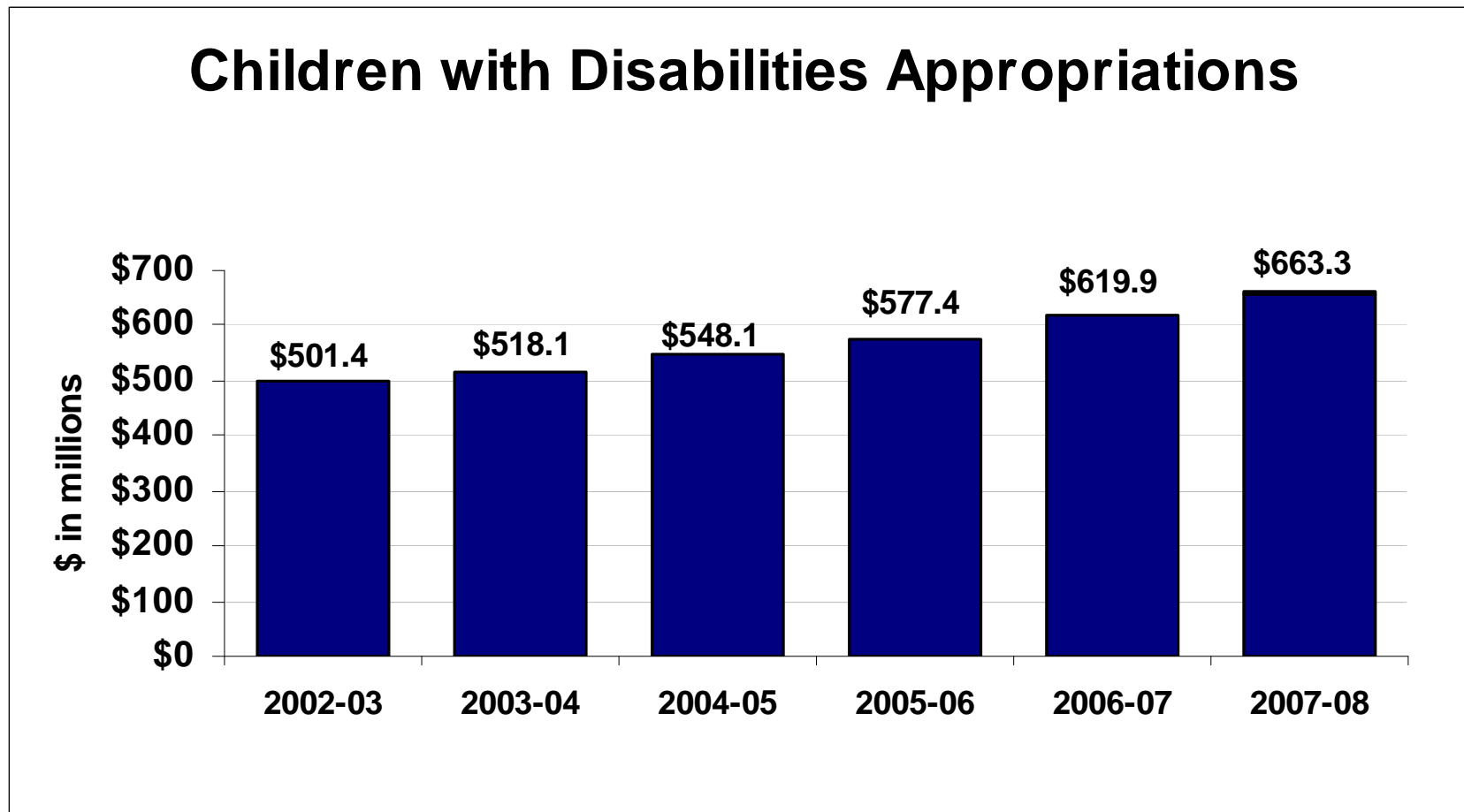
Funding Factor set by General Assembly with adjustment for Legislative Increase	\$3,348.47
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Multiply funded headcount by funding factor for final total allotment to LEA	\$9,596,708
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Allotment Formula-Other Issues

- Program funds supplement other basic allotments
- Benefits for personnel supported with this allotment are included
- Funds may only be used to transport preschool pupils and not school age children
- DPI Reserve compensates LEAs for costs associated with severely disabled students, high population growth and other issues

Funding History



2007-08 Appropriations

Children with Disabilities Appropriations

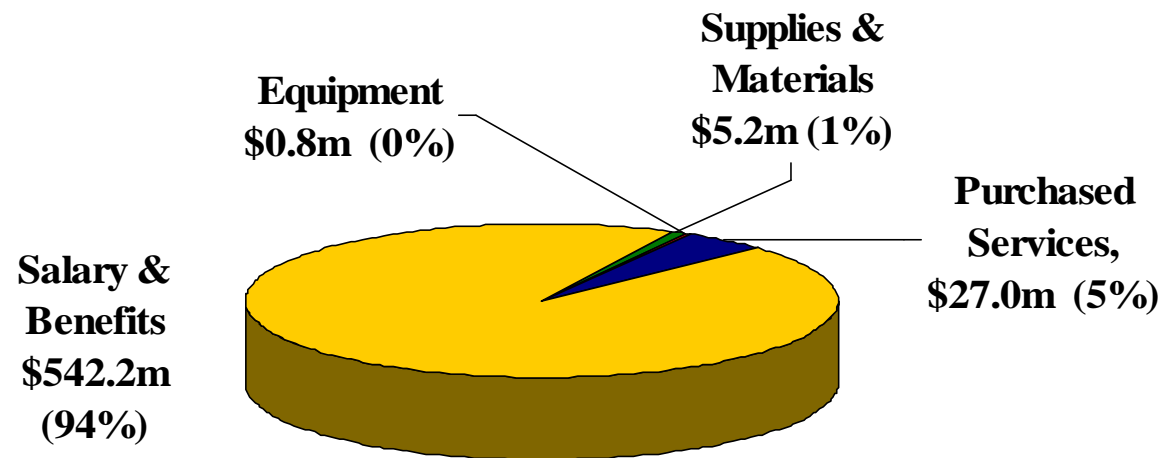
School-age Children (5-20)	\$578.1 m
Preschool Children	\$47.9 m
Behavioral Support	\$10.3 m
Group Homes	\$4.8 m
Developmental Day Care	\$16.9 m
Community Residency Centers	\$5.4 m
Total	\$663.4 m

Expenditures

- Costs of services for different student populations are variable
 - 2003 national study found that the actual expenditure for educating a “Learning Disabled” student is nearly half that of an “Educable Mentally Disabled” student
- However, all eligible students generate the same level of funding in allotment formula, regardless of expenditure per student
 - No consensus on true cost for successfully educating every classification of eligible student

Actual 2006-07 Expenditures

Children with Disabilities



Questions for Consideration

- 12.5% Cap
 - Unmet need?
 - Appropriate expenditure level?
 - Incentivize overidentification?
- No differentiation between disability levels
 - Per pupil amount in allotment formula not coupled with severity of disability
 - Are DPI reserves for this issue sufficient?

Key Takeaways

- Support for children with disabilities is calculated on basis of specific funded headcount, regardless of the severity of a student's disability
- State funding supplements federal “IDEA” monies and other State resources that children with disabilities generate through basic allotments
- These resources are used to provide a supplemental program of support that meets the educational and service needs of eligible students

Limited English Proficiency (LEP)



Limited English Proficiency

Key Takeaways

- Funding cap does not necessarily limit LEA in the number of students to whom they provide services
 - Economies of scale - first student more expensive than the last student
 - 16 LEAs have LEP populations that exceed 10.6% cap

Limited English Proficiency

Purpose

- To provide additional funding to LEAs with students who have limited proficiency in English

Eligibility

- At least 20 students with limited English proficiency (based on a 3-year weighted average headcount), or at least 2 1/2% of the ADM of the LEA
- Funding is provided for up to 10.6% of ADM

Limited English Proficiency

Allotment Formula

- Base allotment:
 - Each eligible LEA receives a teacher assistant position
- Remainder of allotment (after distribution of the base):
 - 50% distributed pro rata based on the weighted 3-year average headcount
 - 50% distributed based on the concentration of LEP students within the LEA

Limited English Proficiency

Allotment Formula: Weighted-Avg. Headcount

- Provides greater weight to most recent year:
 - Most current year weighted twice (50%)
 - Two previous years weighted once (25%)

		County A	County B
(a) =	ADM	10,000	4,000
	Actual LEP Headcount		
(b) =	2004-05	500	400
(c) =	2005-06	505	410
(d) =	2006-07	510	475
(e) = (b)*.25+ (c)*.25 + (d)*.5	Weighted Headcount	506	440
(f) = (e) / (a)	Percentage LEP	5.06%	11.00%
	Below 10.6% cap?	Yes	No
lesser of (e) and (a)*10.6%	Funded Headcount	506	424

- LEA given dollar amount per Funded Headcount

Limited English Proficiency

Allotment Formula: Concentration Distribution

- Idea is to provide more assistance to smaller counties with relatively large LEP populations
 - First, determine LEA's Distribution Factor:

		County A	County B
(a) =	ADM	10,000	4,000
(b) =	Weighted Headcount	506	440
(c) = (b) / (a)	LEP Population %	5.06%	11.00%
(d) = (c) * (b)	Distribution Factor	25.6	48.4

- Total of distribution factors is divided into available funding
- Prorated allocation equals distribution factor times funding amount

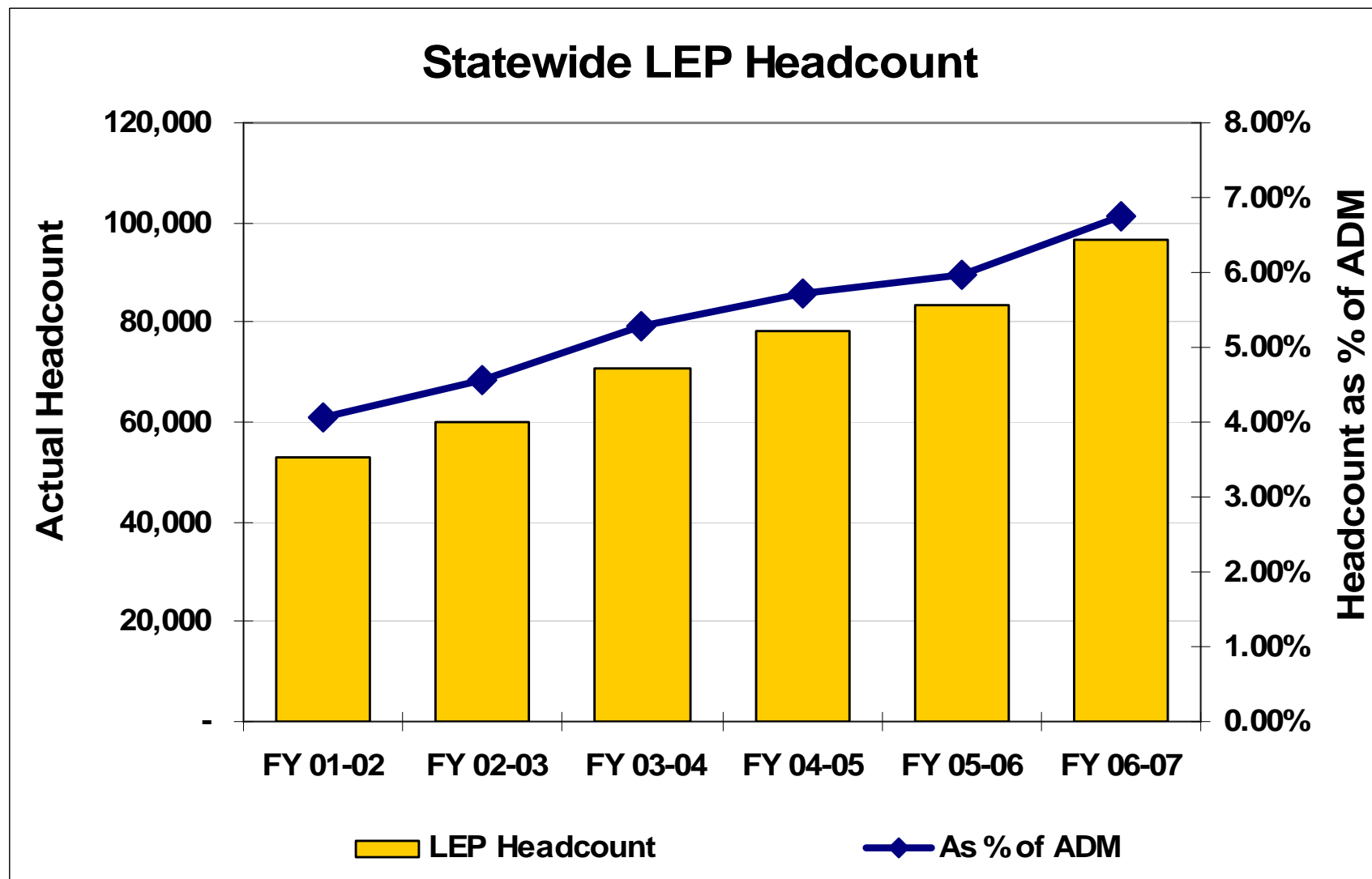
Limited English Proficiency

Determining Headcount

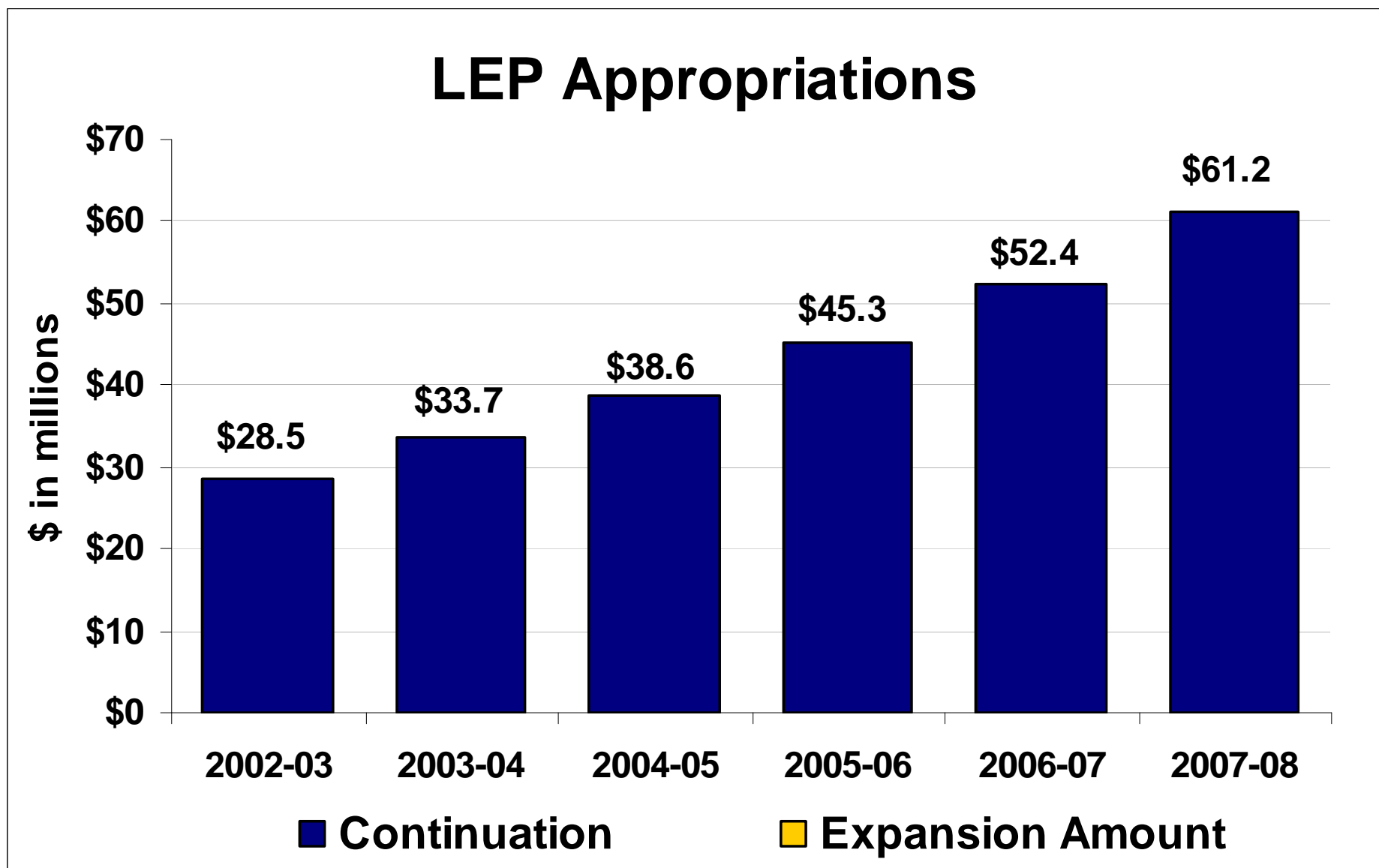
- Three-step process:
 1. Student completes home language survey
 2. Additional local screens
 3. Student completes standardized IDEA Proficiency Test (IPT)
- Student included in headcount until scoring “superior” on test
- Data is collected by December 1 of each year

Limited English Proficiency

Historic Headcount



Limited English Proficiency



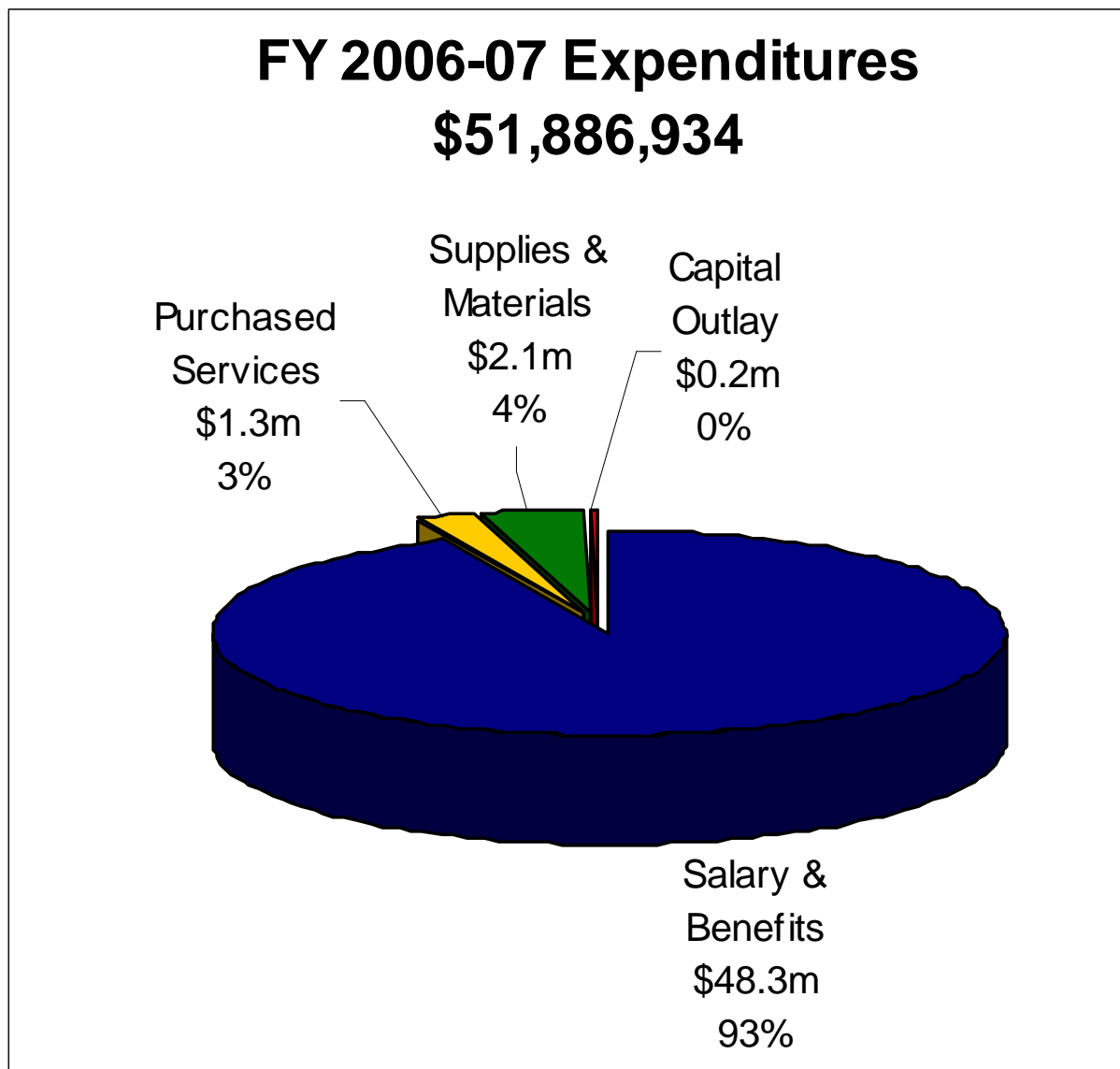
Source: Department of Public Instruction

Limited English Proficiency

Eligible Uses of Funds

- Classroom teachers
- Teacher assistants
- Tutors
- Textbooks
- Instructional supplies & materials
- Transportation costs
- Staff development

Limited English Proficiency



Source: Department of Public Instruction



Limited English Proficiency

Key Takeaways

- Funding cap does not necessarily limit LEA in the number of students to whom they provide services
 - Economies of scale - first student more expensive than the last student
 - 16 LEAs have LEP population that exceeds 10.6% cap

Limited English Proficiency

Questions for Consideration

- Is the 10.6% cap preventing LEAs from providing needed services to LEP students?
 - Question is **not**: Are there LEAs with LEP population greater than 10.6%?
 - Question is: Are LEP students being denied services in LEAs with LEP population greater than 10.6%?
- Does minimum requirement need adjustment?
- Is it necessary to make allowances for the number of languages within an LEA?
- How should concentration and headcount be weighted?