
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.)

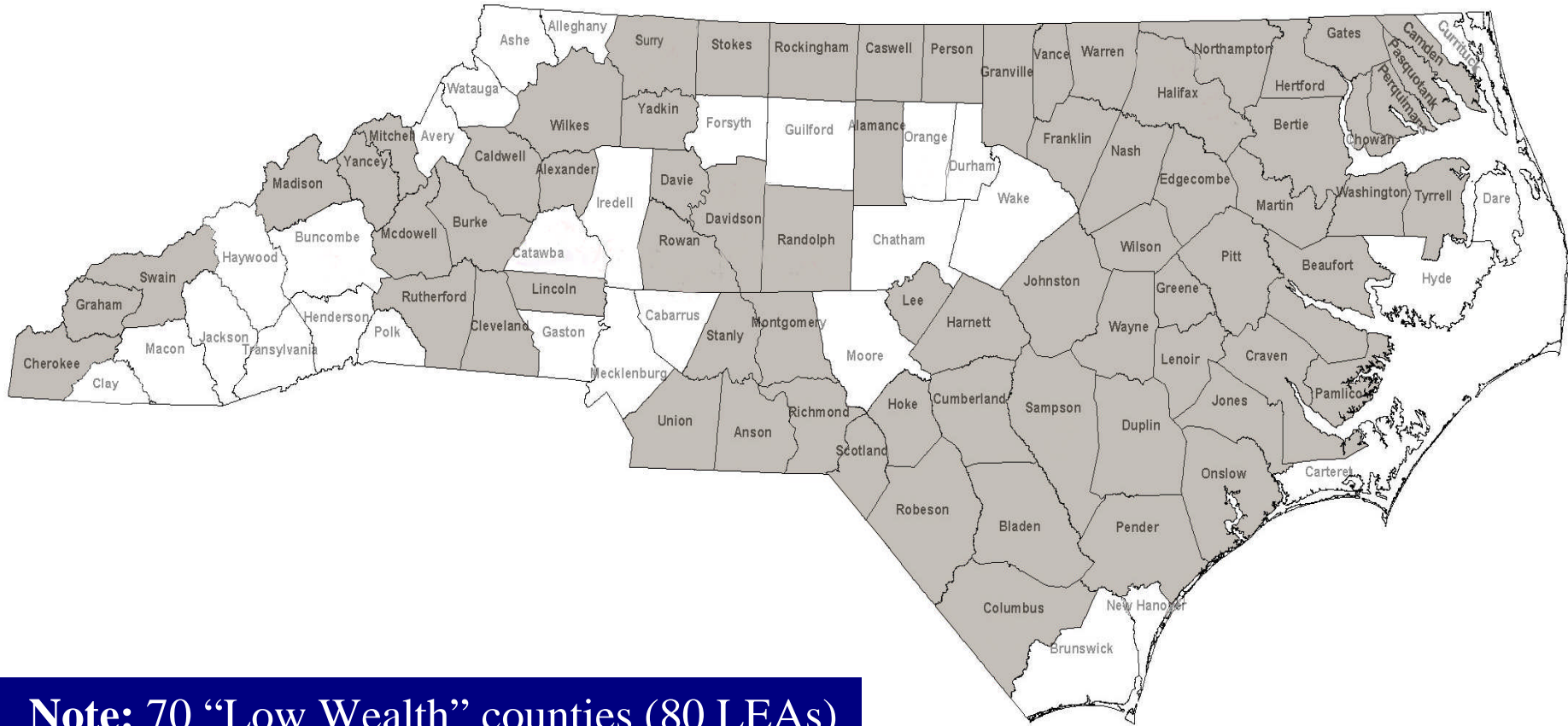
Calculation of Total (100%) Funding:	
(a) = State Average Local Appropriation per ADM	\$1,353.60
(b) = County Wealth as a Percentage of State Average	79.53%
(a) × (b) = (c) Calculated County Appropriation per Student	\$1,076.52
(a) - (c) = (d) Difference From State Average (if more than State Average, 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

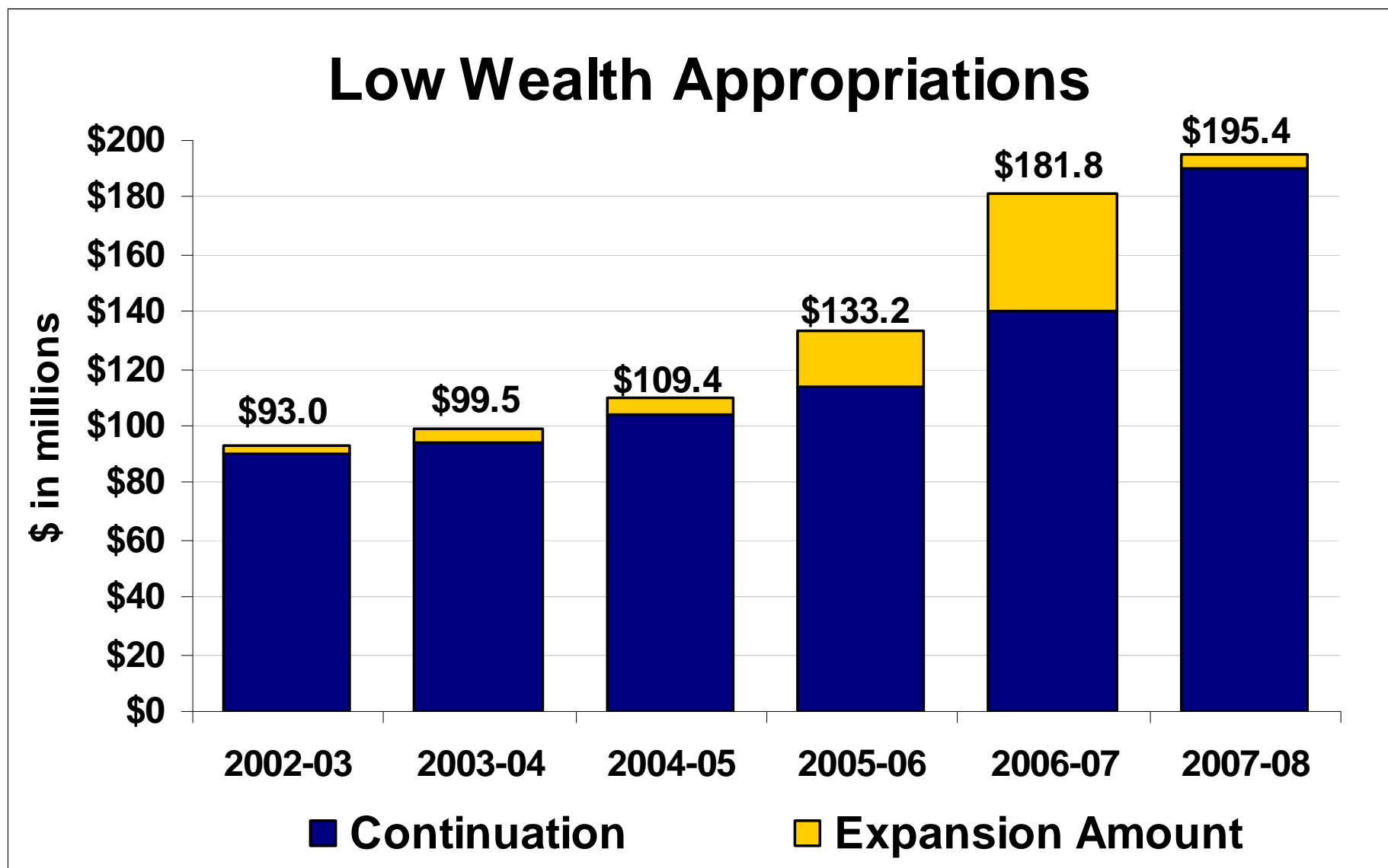
- Three basic steps:
 1. What is the county's level of wealth?
 2. Is the county eligible for funds (based on comparison of county wealth to statewide average)?
 3. How much supplemental funding required to bring county up to the statewide average?

Low Wealth Counties Supplemental Funding



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

Low Wealth Counties Supplemental Funding



Source: Department of Public Instruction



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

Low Wealth Counties Supplemental Funding

2007 Hold Harmless Appropriation

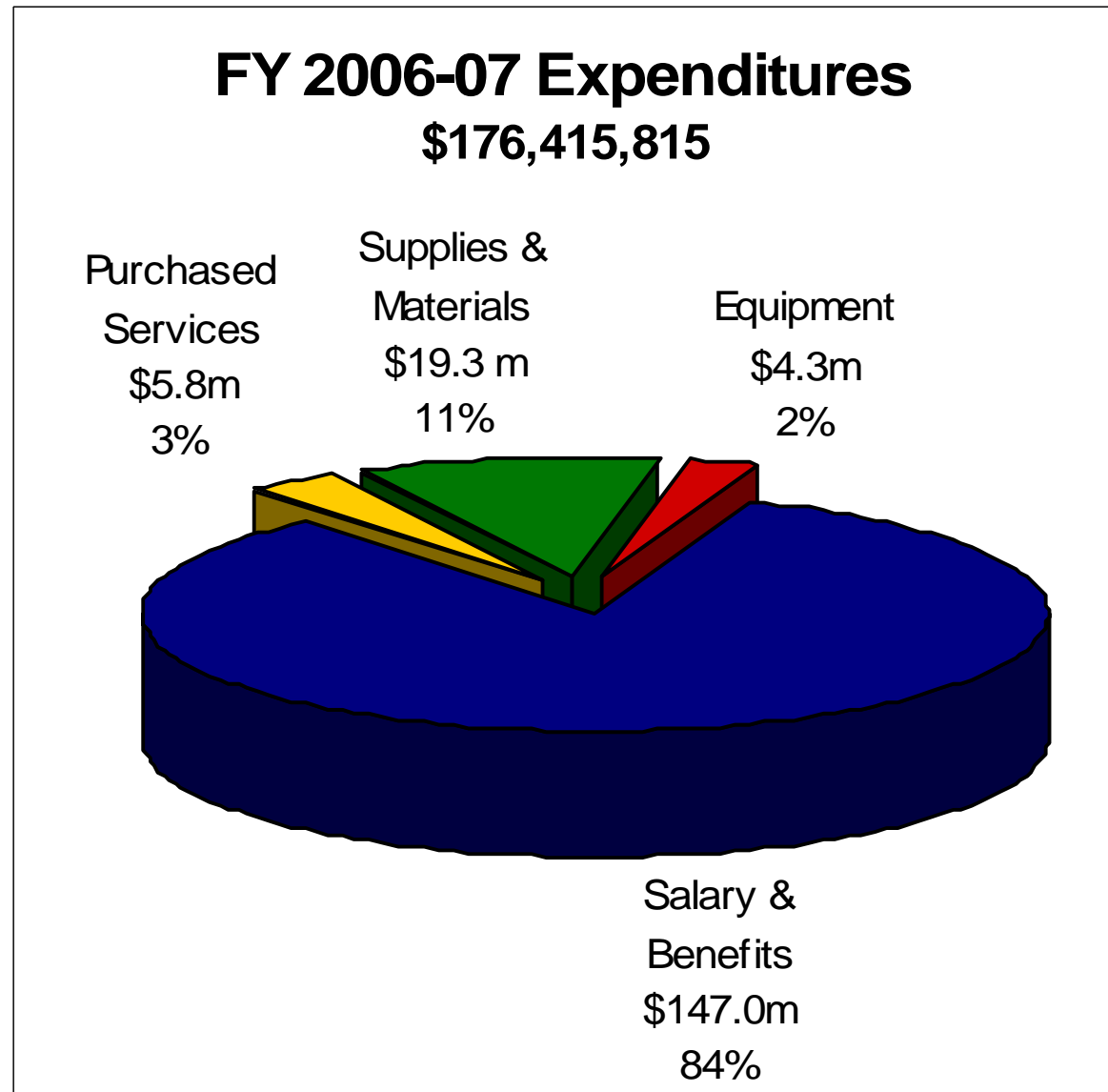
- For 07-08, 27 LEAs received non-recurring appropriations replacing 75% of decrease in Low Wealth funding from 06-07
- Total expansion appropriation: \$5,445,081 (NR)

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?