

**NORTH CAROLINA GENERAL ASSEMBLY
JOINT LEGISLATIVE STUDY COMMITTEE ON PUBLIC SCHOOL FUNDING
FORMULAS**

Study of Public School Funding Formulas and Distributions

REQUEST FOR PROPOSALS

May 5, 2009

Proposals subject to the conditions made a part hereof will be received until **5:00 p.m. EST June 22, 2009**, for furnishing services described. Please send all proposals to the following:

**Mr. Brian Matteson
Fiscal Research Division
General Assembly of North Carolina
Room 619 Legislative Office Building
300 N. Salisbury St.
Raleigh, NC 27603**

Phone: 919-733-4910

Email: brianm@ncleg.net

NOTE: Indicate firm name, "Technical Proposal" or "Cost Proposal" on the front of each sealed proposal envelope or package.

NOTE: Questions concerning the specifications in this Request for Proposal may be submitted in writing to the email address listed above until May 29, 2009. No questions will be taken after 5:00 p.m., May 29, 2009. A summary of all questions and answers will be posted at the following address: <http://www.ncleg.net/Applications/Blog/Blog.aspx?blogID=22>

Introduction

The Joint Select Committee on Public School Funding Formulas (Committee) was created by an Authorizing Letter effective November 26, 2007, and signed by Marc Basnight, President Pro Tempore of the Senate and Joe Hackney, Speaker of the House of Representatives. (The Authorizing Letter is attached as Appendix A.) The Authorizing Letter directed the Committee to “perform an extensive study of all public school funding formulas and distributions.”

The Committee articulated its vision for the study in its Interim Report to the 2008 Regular Session of the 2007 General Assembly (attached as Appendix B). On page 15 of this report, the Committee “recommends an independent study of all major State public school funding formulas. The study should evaluate the efficiency, equity, and efficacy of State public school investments.”

The Authorizing Letter provided that the Committee would terminate December 31, 2008, or upon the filing of its final report, whichever occurred first. However, Part XXXVII of Session Law 2008-181 (attached as Appendix C) extended the duration and scope of the Committee, enabling it to continue its work by evaluating any modifications to school funding formulas that are enacted by the General Assembly upon the recommendation of the Committee.

In order to conduct an independent study, and pursuant to the Authorizing Letter, the Committee now is seeking a Contractor to study and evaluate the State’s system for providing State funding to North Carolina’s public schools.

Background

The Committee is comprised of 24 members, 12 appointed by the Speaker of the House and 12 by the President Pro Tempore of the Senate. The Committee is co-chaired by a Representative and a Senator who collaborate in presiding over its work and alternate in leading its meetings.

The Committee is required to study the State Board of Education’s model for projecting average daily membership and focus particularly on how well this model projects average daily membership in rapidly growing school systems with highly mobile populations. The Committee also is directed to perform an extensive study of all of the State’s public school funding formulae and distributions. They include, but are not limited to:

- School Capital Fund
- Lottery School Construction Formula
- Children with Disabilities
- Limited English Proficiency
- At-Risk Student Services/Alternative Schools
- Improving Student Accountability
- Disadvantaged Students Supplemental Funding
- Low-Wealth Counties Supplemental Funding
- Small County Supplemental Funding
- Transportation of Pupils
- Academically or Intellectually Gifted
- Number of school systems funded per county

To get a clearer understanding of these formulae, the Committee directed Fiscal Research Division (FRD) staff to provide in-depth briefings on each item. These presentations were delivered in public meetings held on December 13, 2007 and January 30, 2008. The Committee then sought external counsel for its deliberations. Local school administrative unit (LEA) superintendents and finance officers testified on the utility of the current State funding system and offered recommendations for potential improvement. National experts also appeared before the Committee to advise about national K-12 education trends and public school funding studies conducted in other states.

After receiving external advice and follow-up presentations from FRD staff, the Committee held meetings to define its short-term objectives, interim recommendations, and direction for a potential long-term study. These recommendations and the decision to pursue an external long-term evaluation of the State public school funding system were approved on May 15, 2008 within the Committee's Interim Report. The seven public meetings and the Interim Report set the foundation for the external evaluation sought under this Request for Proposals (RFP)¹.

Project Description

The Contractor will conduct a comprehensive review of North Carolina's current system for providing State support to LEAs for K-12 education. North Carolina currently uses a system of basic and supplemental allotments to allocate State funds to LEAs.² This type of education funding structure is sometimes referred to as a teacher allocation system. Position allotments for school-based administrators, teachers, and instructional support make up the foundation of this system. The State allots positions to LEAs for a specific purpose. LEAs, in turn, pay whatever is required to hire certified teachers and other educators based on the State salary schedule, without being limited to a specific dollar amount. LEAs also receive additional funds through dollar allotments. These funds can be used to hire employees or purchase goods for a specific purpose, but the LEA must operate within the allotted dollar amount or supplement with local or other resources.

In addition to its support for the current operations of North Carolina's public schools, the State also provides some support for public school capital needs through the Public School Building Capital Fund (PSBCF). The PSBCF is supported both by corporate income tax proceeds and forty percent of the net proceeds of the North Carolina Education Lottery. The distribution of State funds for public school capital purposes will also be included in the comprehensive review.

The Contractor will evaluate North Carolina's current funding structure to determine whether it clearly allocates funds among LEAs in a manner that:

- Targets student achievement;
- Encourages efficient use of resources;

¹ All Committee materials and reports may be found at:
<http://www.ncleg.net/gascripts/DocumentSites/browseDocSite.asp?nID=37>.

² Allotment Policy Manuals, which provide descriptions of the various allotments, are available at:
<http://www.ncpublicschools.org/fbs/allotments/general/>.

- Ensures that all children, regardless of race, gender, ethnicity, disability, socioeconomic status and geography, are provided the opportunity to receive a sound basic education³; and,
- Minimizes complexity so that funding is provided in a transparent, understandable manner

This evaluation shall include, without limitation, an analysis of best practices carried out in other states and an examination of how exemplary school systems that are high-performing and low-spending are funded, with consideration given to demographic similarities. Particular attention should be paid to what results have been experienced by states that have recently changed funding structures. In addition to the allocation of funds, the Contractor will also consider the level of flexibility provided by the current allotment system.

The Contractor should solicit input from various stakeholders across the State in evaluating North Carolina's current funding structure, including, but not limited to:

- The State Board of Education
- Department of Public Instruction
- School administrators, such as superintendents, finance officers and principals
- Teachers
- Various North Carolina professional organizations related to school personnel
- School boards
- Representatives from The University of North Carolina System, the North Carolina Community Colleges System, and the Office of North Carolina Independent Colleges and Universities
- The Hunt Institute
- North Carolina Justice Center
- Z. Smith Reynolds Foundation
- Public School Forum of North Carolina

The Contractor will describe the strengths and weaknesses of the current funding system as well as alternative funding structures (such as foundation systems, teacher allocation/foundation hybrids, etc.). The Contractor will also provide a recommendation on whether:

- The current funding system meets the four goals outlined above and should be continued; or,
- The current funding system should be continued with modifications; or,
- The State would be best served by transitioning to an alternative funding structure given the potential for significant improvements in achieving these goals

³ Definition of "sound basic education" as enumerated by the North Carolina Supreme Court in 1997 (Leandro v. State of North Carolina, 346 N.C. 336) may be found at:
<http://www.aoc.state.nc.us/www/public/sc/opinions/1997/179-96-1.htm>

Timing

The project will be completed no later than eight months after the contract is signed.

Qualifications

Potential Contractors submitting proposals must demonstrate their extensive knowledge of public school funding formulas, state finance study processes, and the capacity needed to retain and manage data collections necessary to provide the information and the recommendation mandated by this study. Contractors submitting proposals must demonstrate the capability to produce clear, well-written reports by providing multiple examples of completed projects.

Deliverables and Report Requirements

The final report shall:

- Adequately reflect the study's methodology, sources of information, purpose and scope, analyses, evaluation assessments, recommendations, and conclusions
- State any known deficiencies or limitations of the study
- Be presented in both a printed form and electronic version

At the completion of the study, the Contractor shall submit a written report to the Committee per the requirements of the "Project Timeframe" in the next section. The Committee may, at the discretion of its Co-Chairs, require up to four formal presentations of this report. The Contractor will provide an electronic version and 100 written copies of the final written report to the Committee. In addition, the Contractor will provide interim electronic and written reports on a monthly basis to the Co-Chairs to update them on project progress.

Project Timeframe

Key dates and deadlines associated with this study are listed below:

Activity	Date
RFP Distributed	Tuesday, May 5, 2009
Proposals from Vendors Due	Friday, June 22, 2009
Award Contract	Friday, July 24, 2009
Interim Progress Reports	The final Friday of each month of the project duration, beginning August 28, 2009
Project Completed/Final Report	Thursday, March 25, 2010

Required Contents for Proposal

The proposal package should include a “Technical Proposal” and a “Cost Proposal”. Please limit Technical Proposal to 50 pages or less, excluding examples of prior work.

Technical Proposal

The Technical Proposal shall consist of the following sections:

- a) Executive Summary
- b) Corporate Background and Experience
 - 1. Background information on the organization and details of experience with similar projects
 - 2. A list of at least three references, including contacts and telephone numbers, for whom similar work has been performed
 - 3. Samples of work products
- c) Financial Statement

This section shall include the Contractor’s most recent financial statement or similar evidence of financial stability.
- d) Project Staffing and Organization
 - 1. Proposed staffing, deployment and organization of personnel to be assigned to this project
 - 2. Resumes of key personnel who will actually be assigned to the project, describing experience with similar projects and the responsibilities to be assigned to each person. Experience with similar projects shall specifically include work being done for the North Carolina General Assembly, the North Carolina State Board of Education, and the North Carolina Department of Public Instruction currently and within the past three years
 - 3. How the study will be planned, organized and conducted
- e) Approach to Study

This section shall include narrative, outline, or graphic information setting forth the Contractor’s approach to the tasks outlined in the Project Description section. A description and schedule for each task shall be included.
- f) Statement of Intent to Conform with Ethics Act

This section applies to all Contractors performing work on this project. Contractors will be required to complete a brief training program covering requirements of this act conducted by the Research Division of the General Assembly. For specific requirements, see G.S. 120C-100(6) and G.S. 138-A-3(21) and as summarized in this RFP under the *Terms and Conditions of Resulting Contract* item 5.

Cost Proposal

The cost proposal must be submitted in a separate sealed package and must contain the following information:

- 1. Personnel costs (including hourly rates and total hours)
- 2. Travel and subsistence expenses
- 3. Office space, telephone, and other support needs, if any, anticipated from the North Carolina General Assembly
- 4. Subcontractor costs (if any)

5. Other costs
6. Total cost for completing the project
7. Rates for additional analyses requested during the project period

Proposal Submittal Process

- a) Two original and 10 copies of the proposal plus electronic copy, PDF preferred
- b) Each original shall be signed and dated by an official authorized to bind the Contractor
- c) Other guidelines for the submission of proposals and questions concerning the RFP are addressed on Page 1

Proposal Evaluation Process

Proposals submitted in response to this RFP will be evaluated according to the following criteria:

- a) Ability of Contractor and staff
- b) Experience with other relevant projects
- c) Content
- d) Completeness
- e) Cost

At their option, the evaluators may request oral presentations or discussion with any or all Contractors for the purpose of clarification or to amplify the materials presented in any part of the proposal. However, Contractors are cautioned that the evaluators are not required to request clarification; therefore, all proposals should be complete and reflect the most favorable terms available from the Contractor.

Proposals will be evaluated based on the listed criteria. The selected proposal, if any, will be one deemed to provide the best combination of technical and cost values to the State of North Carolina.

General Conditions Related to Submittal of Proposals

1. Right to Reject

The *Joint Legislative Study Committee on Public School Funding Formulas* (Committee) reserves the unqualified right to reject any and all proposals when such rejection is deemed to be in the best interest of the State of North Carolina.

2. Right to Accept Part of Proposal, Negotiate Content and Cost

The Committee reserves the right to accept part of any proposal, and to divide any proposal into parts deliverable in stages over an extended time period. The Committee reserves the right to negotiate and alter the content, form, schedule, and deliverables of any proposal or portion of a proposal accepted. The Committee reserves the right to negotiate the cost of any proposal or portion of a proposal accepted.

3. Time for Acceptance

Each proposal shall state that it is a firm offer that may be accepted within a period of 60 days from the date of submission.

4. Unsolicited Proposal Changes

Any unsolicited change to a proposal that is received after the closing date of this request for proposals will be rejected.

5. Responsibility to Make Timely Submission

The Contractor is responsible for assuring the timely delivery of a proposal. Late proposals will be rejected without review.

6. Cost for Proposal Preparation

Any costs incurred by Contractors in preparing or submitting offers are the Contractor's sole responsibility. The Committee will not reimburse any Contractor for any costs incurred prior to award.

7. Elaborate Proposals

Elaborate proposals in the form of brochures or other presentations beyond that necessary to present a complete and effective proposal are not desired. Contractors must limit proposals to 50 pages or less (not including examples of work products).

8. Oral Explanations

The Committee shall not be bound by oral explanations or instructions given at any time during the competitive process or after award.

9. Confidentiality of Proposals

In submitting its proposal the Contractor agrees not to discuss or otherwise reveal the contents of the proposal to any source outside of the Committee or its staff until after the award of the contract.

10. Form of Proposal

Proposals shall be submitted in a form that, in the opinion of the Committee, may be incorporated verbatim into a contract.

11. Exception to Terms

Any exception, interpretation, or suggestion for clarification by the Contractor to any of the terms and conditions of this request for proposals must be clearly stated by the Contractor.

12. Competitive Offer

Pursuant to the provision of G.S. 143-54, and under penalty of perjury, the signer of any proposal submitted in response to this request for proposals thereby certifies that this proposal has not been arrived at collusively or otherwise in violation of either Federal or North Carolina antitrust laws.

13. Right to Submitted Materials

All responses, inquiries, and correspondence relating to or in reference to this request for proposals shall become the property of the State of North Carolina when received.

14. Contractor's Representative

Each Contractor shall submit with its proposal the name, address, telephone number, and email address of the person(s) with authority to bind the firm and answer questions or provide clarification concerning the Contractor's proposal.

15. Proprietary Information

All Contractors' information submitted in the proposal has the potential to become public information. Contractors are cautioned that any proprietary information contained in the proposal may not be protected as confidential and should not be submitted in response to this request for proposals.

16. Historically Underutilized Businesses

Pursuant to General Statute 143-48(a), the North Carolina General Assembly invites and encourages participation in this procurement process by businesses owned by minorities, women, disabled, disabled business enterprises and non-profit work centers for the blind and severely disabled.

17. Titles

Titles and headings in this request for proposals and any subsequent contract are for convenience only and shall have no binding force or effect.

Terms and Conditions of Resulting Contract

The following are terms and conditions that will be included in the contract for conducting the project. Other terms and conditions may be added prior to the signing of the contract.

1. Contractor

The contract is between the Committee (subject to the approval of the Legislative Services Commission) and the selected Contractor (hereinafter referred to as "Contractor").

2. Contract Period and Schedule

The terms of the contract shall begin at its signing and shall end on March 25, 2010, unless extended or terminated as provided herein.

The Contractor agrees to the following reporting schedule:

Interim Reports: Final Friday of Each Month of the Project Duration Beginning
 August 28, 2009

Final Report: March 25, 2010

3. Availability of Funds

Any and all payments to the Contractor are dependent upon and subject to the availability of funds to the Committee for the purpose set forth in this agreement.

4. Additional Contract Expenses

The contract for the project is not a time and materials agreement. Any expenses of the Contractor in addition to those contracted for, or above the contract amount, are the sole responsibility of the Contractor.

5. Applicability of State Government Ethics Act

Pursuant to G.S. 120C-100(6) and G.S. 138A-3(21), the Contractor is subject to the ethics requirements of Chapter 138A of the General Statutes (State Government Ethics Act) that are applicable to legislative employees. These ethics requirements include, but are not limited to, the prohibition on the acceptance of most gifts from lobbyists and lobbyists' principals and the mandatory ethics training required for all legislative employees. Also, if the Contractor is a business entity, the business entity will need to identify the individuals assigned to the project so that these individuals' names can be provided to the State Ethics Commission for inclusion on the list of legislative employees subject to the lobbying laws. The Contractor shall familiarize itself with these and all other requirements of the State ethics law and shall ensure that it and its individual employees comply with these requirements.

6. Governing Law

This contract is made under and shall be governed and construed in accordance with the laws of the State of North Carolina.

7. Situs

The place of this contract, its situs and forum, shall be Wake County, North Carolina, where all matters, whether sounding in contract or tort, relating to its validity, construction, interpretation and enforcement shall be determined.

8. Termination and Default

(a) Mutual Termination. – Upon mutual written agreement of the Committee and the Contractor, the contract may be terminated at any time.

(b) Committee Termination. – The Committee has the right to terminate the contract at its discretion with 10 days written notice. In the event of termination under this subparagraph, the Contractor will be paid or reimbursed an amount commensurate with work completed or expenses incurred up to the date of termination. In the event that the Contractor has received funds in excess of the amount commensurate with work completed or expenses incurred, the Contractor shall repay the excess funds to the Committee.

(c) Contractor Failure To Perform. – If, for any reason, the Contractor shall fail to fulfill in timely and proper manner the obligations under this agreement, the Committee shall thereupon have the right to terminate this contract by giving written notice to the Contractor and specifying the effective date thereof. In that event, all finished or unfinished deliverable items under this contract prepared by the Contractor shall, at the option of the Committee, become its property, and the Contractor shall be entitled to receive just and equitable compensation for any satisfactory work completed on these items. The Contractor shall not be relieved of liability to the Committee for damages sustained by the Committee by virtue of any breach of this agreement, and the Committee may withhold any payment due the Contractor for the purpose of setoff until a time that the exact amount of damages due the Committee from the breach can be determined. In case of default by the Contractor, the Committee may procure the services to which it is entitled under this contract from other sources and hold the Contractor responsible for any cost occasioned thereby.

(d) Liability of Contractor. – In the case of termination or default, the total liability of the Contractor shall not exceed the total contract amount.

(e) Force Majeure – No party to this agreement shall be deemed to be in default of any obligation hereunder if and so long as it is prevented from performing the obligation by any act of war, hostile foreign action, nuclear explosion, riot, strikes, civil insurrection, earthquake, hurricane, tornado or other catastrophic natural event or act of God.

9. Independent Contractor

The Contractor shall be considered to be an independent contractor and as such shall be wholly responsible for the work to be performed and for the supervision of its employees. The Contractor shall hold and save the Committee harmless from any and all claims, demands, or causes of action that may be asserted due to the activity of the Contractor under this contract. The Contractor represents that it has, or will secure at its own expense, all personnel required in performing the services under this agreement. Such employees shall not be employees of, or have any individual contractual relationship with the Committee or the Legislative Services Office.

10. Key Personnel

The Contractor shall not substitute key personnel assigned to the performance of this contract without prior written approval by the Committee. The individuals designated as key personnel for purposes of this contract are those specified in the Contractor's proposal.

11. Subcontracting

Work proposed to be performed under this contract by the Contractor or its employees shall not be subcontracted without prior written approval of the Committee.

12. Bankruptcy

Upon the filing for bankruptcy or insolvency by or against the Contractor, the Committee may terminate the contract, and the provisions of paragraph entitled "Termination and Default" shall apply.

13. Performance Bond

The Committee may require either a performance bond up to the full amount of the contract or another performance guarantee.

14. Confidentiality

The Contractor agrees to protect the confidentiality of any files, data, or other materials provided by the Committee and to restrict their use to the purpose of performing the contract. The Contractor shall comply with the provisions of Article 17 of Chapter 120 of the North Carolina General Statutes regarding confidentiality between the Contractor and members of the General Assembly. For the purposes of this contract, employees of the Contractor and any subcontractors for this study shall be considered "legislative employees" as defined in G.S. 120-129(2).

15. Care of Property

The Contractor shall be responsible for the proper custody and care of any files or other property furnished by the Committee. The Contractor shall take all steps necessary to safeguard any property, including data, files, reports, or other information from loss, destruction, or erasure. Any costs or replacement expenses, or damages resulting from the loss shall be borne by the Contractor when the loss occurred through its negligence.

16. Copyright

No deliverable items produced in whole or in part under this agreement shall be the subject of an application for copyright by or on behalf of the Contractor or any employee of the Contractor.

17. Access to Persons and Public Records

The State Auditor shall have access to persons and records as a result of all contracts or grants entered into by State agencies or political subdivisions in accordance with General Statute 147-64.7. The Contractor shall retain all records for a period of three years following completion of the contract.

18. Transfer or Assignment

The contract shall not be transferred or assigned to a third party.

19. Compliance with Laws

The Contractor shall comply with all laws, ordinances, codes, rules, regulations and licensing requirements that are applicable to the conduct of its business, including those of federal, state, and local agencies having jurisdiction or authority.

20. Equal Opportunity Statement

The nondiscrimination clause contained in Section 202 Executive Order 11246, as amended by Executive Order 11375, relative to equal employment opportunity for all persons without regard to race, color, religion, sex, age or national origin, and the rules and regulations prescribed by the Secretary of Labor, are incorporated herein. The program for Employment of the Handicapped (Affirmative Action) Regulations issued by the Secretary of Labor of the United States in Title 20, Part 741, Chapter VI, Subchapter "C" of the Code of Federal Regulations, pursuant to the provisions of Executive Order 11758 and Section 503 of the Federal Rehabilitation Act of 1973, are incorporated herein.

21. Worker's Compensation Insurance

The Contractor shall obtain, pay for, and keep in force, for the duration of the contract, workers compensation insurance, as required by the laws of North Carolina, covering all of the Contractor's employees engaged in any work pursuant to this contract performed in this State.

22. Advertising

Contractor agrees not to use the results or existence of the contract, or the products produced pursuant to the contract as a part of any news release or commercial advertising without the prior written approval of the Committee.

23. General Indemnity

The Contractor shall hold and save the State of North Carolina, its officers, agents, and employees harmless from liability of any kind, including liability from all claims and losses accruing to any other person, firm, or corporation furnishing or supplying work, services, materials, or supplies in connection with the performance of this contract, and from any and all claims and losses accruing to any person, firm, or corporation that may be injured or damaged by the Contractor in the performance of this contract and that are attributable to the negligence or intentionally tortious acts of the Contractor or anyone employed or retained by the Contractor if the Contractor is notified in writing that the State has knowledge of a claim within 30 days after the State acquires actual knowledge of the claim. The Contractor represents and warrants that it shall make no claim of any kind or nature against the State's agents who are involved in the delivery or processing of the services of the Contractor to the State. The representation and warranty in the preceding sentence shall survive the termination or expiration of this contract.

24. Contract Administrator

Brian Matteson is designated as the Contract Administrator for the Committee. The contract administrator shall be responsible for ensuring that the Contractor complies with the terms, conditions, and performance specifications set forth in this contract. The Committee has complete discretion in replacing the contract administrator with another person of its own choosing. The Committee shall notify the Contractor of any replacement of the contract administrator.

25. Amendment

(a) This contract may be amended only by written agreement duly executed by the Committee and the Contractor and approved by the Legislative Services Commission.

(b) In the event that the General Assembly extends any of the times set out in or otherwise modifies the provisions of the Authorizing Letter effective November 26, 2007 or Part XXXVII of S.L. 2008-181, the parties to this contract shall negotiate in good faith and use their best efforts to amend this contract in accordance with any such extension, modification, or enactment.

26. Entire contract

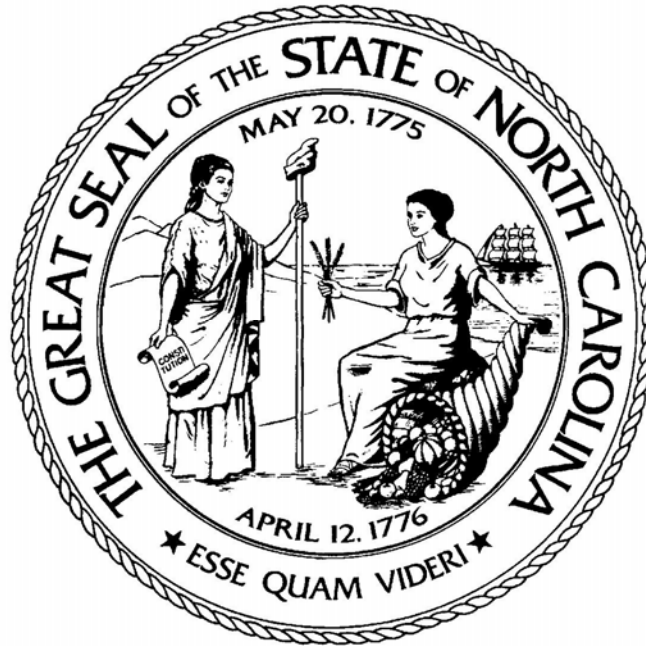
This contract, including any documents or exhibits specifically incorporated by reference, represents the entire contract between the parties and supersedes all prior oral or written statements or contracts.

27. Applicability of Terms

All promises, requirements, terms, conditions, provisions, representations, guarantees, and warranties contained herein shall survive the contract expiration or termination date unless specifically provided otherwise herein, or unless superseded by applicable Federal or State statutes of limitations.

APPENDIX A AND B

JOINT LEGISLATIVE STUDY COMMITTEE ON PUBLIC SCHOOL FUNDING FORMULAS



INTERIM REPORT TO THE 2008 REGULAR SESSION OF THE 2007 GENERAL ASSEMBLY

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STATE OF NORTH CAROLINA



JOINT LEGISLATIVE STUDY COMMITTEE ON PUBLIC SCHOOL FUNDING FORMULAS

May 5, 2008

TO THE MEMBERS OF THE 2008 REGULAR SESSION OF THE 2007 GENERAL ASSEMBLY:

The Joint Legislative Study Committee on Public School Funding Formulas submits for your consideration its interim report pursuant to S.L. 2007-345, Section 5.3 of the 2007 General Assembly.

Respectfully Submitted,

Sen. A. B. Swindell, Co-Chair

Rep. Rick Glazier, Co-Chair

**JOINT LEGISLATIVE STUDY COMMITTEE ON
PUBLIC SCHOOL FUNDING FORMULAS
MEMBERSHIP LIST: 2007- 2008**

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Representative Cullie M. Tarleton
North Carolina House of Representatives
16 W. Jones Street, Room 2221
Raleigh, NC 27601-1096
919-733-7727

Representative Laura I. Wiley
North Carolina House of Representatives
300 N. Salisbury Street, Room 513
Raleigh, NC 27603-5925
919-733-5877

Representative Douglas Yates Yongue
North Carolina House of Representatives
16 W. Jones Street, Room 1303
Raleigh, NC 27601-1096
919-733-5821

AUTHORIZING LEGISLATION

S.L. 2007-345, Section 5.3

SECTION 5.3. S.L. 2007-323 is amended by adding a new section to read:

“JOINT LEGISLATIVE STUDY COMMITTEE ON PUBLIC SCHOOL FUNDING FORMULAS

SECTION 7.42.(a) There is created the Joint Legislative Study Committee on Public School Funding Formulas. The Committee shall consist of 10 members of the House of Representatives appointed by the Speaker of the House of Representatives and 10 members of the Senate appointed by the President Pro Tempore of the Senate. The Speaker of the House of Representatives shall appoint a cochair, and the President Pro Tempore of the Senate shall appoint a cochair for the Committee.

The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4. The Committee may contract for professional, clerical, or consultant services as provided by G.S. 120-32.02.

Subject to the approval of the Legislative Services Commission, the Committee may meet in the Legislative Building or the Legislative Office Building. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. The House of Representatives' and the Senate's Directors of Legislative Assistants shall assign clerical support staff to the Committee, and the expenses relating to the clerical employees shall be borne by the Committee.

SECTION 7.42.(b) The Committee shall perform an extensive study of all public school funding formulas and distributions, including, but not limited to:

- (1) School Capital Fund.
- (2) Lottery School Construction Formula.
- (3) Children with Disabilities.
- (4) Limited English Proficiency.
- (5) At-Risk Student Services/Alternative Schools.
- (6) Improving Student Accountability.
- (7) Disadvantaged Students Supplemental.
- (8) Low-Wealth Counties Supplemental Funding.
- (9) Small County Supplemental Funding.
- (10) Transportation of Pupils.
- (11) Academically or Intellectually Gifted.
- (12) Number of school systems funded per county.

SECTION 7.42.(c) The Committee shall also study the State Board of Education's model for projecting average daily membership and focus particularly on how well the model projects average daily membership in rapidly growing local school administrative units with a highly mobile population.

SECTION 7.42.(d) The Committee shall submit a report of its findings and recommendations, including any legislative recommendations, to the 2008 Regular Session of the 2007 General Assembly. The Committee shall terminate upon filing its report.

SECTION 7.42.(e) From funds available to the General Assembly, the Committee may use up to one million dollars (\$1,000,000) to conduct this study, subject to the approval of the Legislative Services Commission chairs.

SECTION 7.42.(f) In preparation of the Committee's work, the chairs of the Legislative Services Commission may hire consultants prior to the first meeting of the Committee."

AUTHORIZING LETTER

Joint Legislative Study Committee on Public School Funding Formulas

Section 1. The **Joint Legislative Study Committee on Public School Funding Formulas** (hereinafter "Committee") is established by the President Pro Tempore of the Senate and the Speaker of the House of Representatives pursuant to G.S. 120-19.6(a1), Rule 31 of the Rules of the Senate of the 2007 General Assembly, and Rule 26(a) of the Rules of the House of Representatives of the 2007 General Assembly.

Section 2. The Committee consists of 22 members. The President Pro Tempore of the Senate shall appoint 11 members of the Committee, and the Speaker of the House of Representatives shall appoint 11 members of the Committee. The President Pro Tempore of the Senate and the Speaker of the House of Representatives shall each appoint a co-chair from among their respective appointees. The Committee and the terms of the members shall expire when the Committee submits a final report to the General Assembly. Members serve at the pleasure of the appointing officer.

President Pro Tempore Appointments

Senator A.B. Swindell, Co-Chair
Senator Linda Garrou
Senator Kay Hagan
Senator John Snow
Senator Martin Nesbitt
Senator Tony Rand
Senator Vernon Malone
Senator Jean Preston
Senator Fletcher Hartsell
Senator Ed Jones
Senator Harry Brown

Speaker of the House Appointments

Representative Rick Glazier, Co-Chair
Representative Larry M. Bell
Representative Curtis Blackwood
Representative Bill Faison
Representative Bruce Goforth
Representative Julia C. Howard
Representative William C. "Bill" McGee
Representative Ray Rapp
Representative Cullie M. Tarleton
Representative Laura I. Wiley
Representative Douglas Y. Yongue

Section 3. The Committee shall study the State Board of Education's model for projecting average daily membership and focus particularly on how well the model projects average daily membership in rapidly growing local school administrative units with a highly mobile population. The Committee shall also perform an extensive study of all public school funding formulas and distributions, including, but not limited to:

- (1) School Capital Fund.
- (2) Lottery School Construction Formula.
- (3) Children with Disabilities.
- (4) Limited English Proficiency.
- (5) At Risk Student Services/Alternative Schools.
- (6) Improving Student Accountability.
- (7) Disadvantaged Students Supplemental.
- (8) Low Wealth Counties Supplemental Funding.

- (9) Small County Supplemental Funding.
- (10) Transportation of Pupils.
- (11) Academically or Intellectually Gifted.
- (12) Number of school systems funded per county.

Section 4. The Committee shall meet upon the call of its co-chairs. A quorum of the Committee is a majority of its members. No action may be taken except by a majority vote at a meeting at which a quorum is present.

Section 5. The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and Article 5A of Chapter 120 of the General Statutes. The Committee may contract for professional, clerical, or consultant services, as provided by G.S. 120-32.02.

Section 6. Members of the Committee shall receive per diem, subsistence, and travel allowance as provided in G.S. 120-3.1, 138-5 and 138-6, as appropriate.

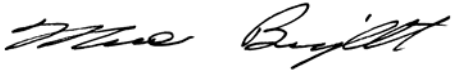
Section 7. The expenses of the Committee shall be considered expenses incurred for the joint operation of the General Assembly. From funds available to the General Assembly, the Committee may use up to one million dollars (\$1,000,000) to conduct this study, subject to the approval of the Legislative Services Commission.

Section 8. The Legislative Services Officer shall assign professional and clerical staff to assist the Committee in its work. The Director of Legislative Assistants of the House of Representatives and the Director of Legislative Assistants of the Senate shall assign clerical support staff to the Committee. The Legislative Services Commission may hire additional consultants to assist the Committee in its work.

Section 9. The Committee may meet at various locations around the State in order to promote greater public participation in its deliberations.

Section 10. The Committee may submit an interim report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives, on or before May 1, 2008, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall submit a final report on the results of its study, including any proposed legislation, to the members of the Senate and the House of Representatives, on or before December 31, 2008, by filing a copy of the report with the Office of the President Pro Tempore of the Senate, the Office of the Speaker of the House of Representatives, and the Legislative Library. The Committee shall terminate on December 31, 2008, or upon the filing of its final report, whichever occurs first.

Effective this 27th day of November, 2007



Marc Basnight
President Pro Tempore of the Senate



Joe Hackney
Speaker of the House of Representatives

Revised 11/27/2007

COMMITTEE PROCEEDINGS

December 13, 2007

Introduction to School Finance in NC

Brian Matteson, Committee Staff

LEA Flexibility

Kris Nordstrom, Committee Staff

Student Transportation

Brian Matteson, Committee Staff

Low Wealth Counties Supplemental Funding

Kris Nordstrom, Committee Staff

Small County Supplemental Funding

Brian Matteson, Committee Staff

Disadvantaged Student Supplemental Funding

Kris Nordstrom, Committee Staff

Children with Disabilities

Brian Matteson, Committee Staff

Limited English Proficiency

January 30, 2008 (Rescheduled from Jan. 17th)

Wrap-up of Outstanding Questions from 12/13/07 Meeting

Brian Matteson, Committee Staff

Kris Nordstrom, Committee Staff

Academically or Intellectually Gifted

Brian Matteson, Committee Staff

Improving Student Accountability

Kris Nordstrom, Committee Staff

At-risk Student Services

Kris Nordstrom, Committee Staff

Public School Capital Fund

Brian Matteson, Committee Staff

Education Lottery Funding

Brian Matteson, Committee Staff

Local Education Agency Funding (per county)

Kris Nordstrom, Committee Staff

Mentoring

Brian Matteson, Committee Staff

January 31, 2008

North Carolina Public School Funding

John Dornan, President/Executive Director, Public School Forum of North Carolina

Statistical Projections

Engin Konanc, DPI

Local Perspectives on Public School Funding

Superintendents:

Dr. Anthony Parker (Johnston County Schools)

Dr. Larry Price (Wilson County Schools)

Dr. Shirley Prince (Scotland County Schools)

Dr. Craig Witherspoon (Edgecombe County Public Schools)

Dr. Brock Womble (Mitchell County Schools)

Financial Officers:

Susan Blackwell (Nash-Rocky Mount Schools)

Kerry Crutchfield (Winston Salem/Forsyth County Schools)

Hank Hurd (Durham Public Schools)

Kathy Isenhour (Hickory Public Schools)

Ricky Lopes (Cumberland County Schools)

Robin Vick (Tyrrell County Public Schools)

February 14, 2008

National Education Expert Presentations

Kati Haycock, President, Education Trust, Washington, DC

Greg Greicius, Senior Vice President, Educational Initiatives Turnaround for Children, New York City, NY

Michael Griffith, School Finance Analyst, Education Commission of the States, Denver, CO

Follow-up Items from 1/30/08 and 1/31/08 Meetings

Brian Matteson, Committee Staff

Kris Nordstrom, Committee Staff

March 13, 2008

Follow-up Items from 1/30/08 and 1/31/08 Meetings

Brian Matteson, Committee Staff

Kris Nordstrom, Committee Staff

Committee Deliberations

April 16, 2008

Committee Discussion on Findings and Recommendations

COMMITTEE FINDINGS AND RECOMMENDATIONS

The Joint Legislative Study Committee on Public School Funding Formulas (“the Committee”) proposed the following recommendations to the 2008 Regular Session of the 2007 General Assembly.

1. Long Term Study

The Committee recommends an independent study of all major State public school funding formulas. The study should evaluate the efficiency, equity, and efficacy of State public school investments. The Committee will develop a Request for Proposals that will enumerate the scope and breadth of the study, which may be up to a year in length. The study shall be paid for by funds already appropriated to the Committee.

2. Low Wealth

The Committee recommends that the Low Wealth formula be changed in order to improve the budgeting process for local school boards. Currently, local education agencies (LEAs) receive their planning allotment in late May or early June – after they have already submitted their budgets to the county manager. The Committee recommends that all LEAs receive the same allotment for the 08-09 school year that they received in the 07-08 school year, less any non-recurring hold-harmless payments (please note that this change does not preclude the General Assembly from continuing the 07-08 hold-harmless payments in the 08-09 budget). The formula will be updated annually thereafter, allowing the Department of Public Instruction (DPI) to provide planning allotments in February or March. Providing this information earlier will improve the budgeting process for local school boards, and reduce pressures on the General Assembly to provide “hold harmless” funding for LEAs experiencing an unanticipated decrease in their Low Wealth allotment.

The Committee also recommends changing the name of the Low Wealth allotment to the County Baseline Assistance allotment. The new name better expresses the intent of the allotment, will help reduce confusion between this allotment and the Disadvantaged Student Supplemental Funding allotment, and will reduce the stigma of receiving this allotment.

3. Mentoring

The Committee recognizes the critical importance of mentoring to retaining and supporting quality teachers. The Committee heard testimony on State support for mentoring programs and has found that the current system inconsistently compensates mentors and does not adequately ensure that all first and second-year teachers and first-year instructional support personnel receive services. Therefore, the Committee recommends expanding the mentoring allotment into a more flexible system that would provide funding to each LEA based on its number of eligible first and second-year beginning teachers and first-year instructional support personnel. Unlike the current

system, the new allotment would provide funding on behalf of all these teachers, and not just those that are State-paid.

Currently, mentors are compensated at a maximum of \$100 per month for 10 months of service, with an additional \$100 for a training day before the beginning of the school year. Including benefits, the maximum annual funding required for a mentor is \$1,270. The new allotment would provide this amount to an LEA on behalf of each of its eligible personnel, at a cost of approximately \$7.9 million more than the current allotment. Under this proposal all LEAs would be granted considerable flexibility in spending these funds, provided expenditures align with a local plan approved by the State Board of Education. This is similar to the flexibility granted to LEAs currently receiving mentoring funds through a “dollar allotment”.

4. Textbooks

The Committee believes that the current formula for textbooks should be amended to better meet the needs of districts with growing student populations. Currently, LEAs are provided a set dollar amount per student. For the 2008-09 school year, districts are expected to receive \$67.85 per student. Based on the testimony provided by district superintendents and finance officers, the Committee believes that current resources are insufficient to provide textbooks in LEAs with growing student populations. As a result, the Committee recommends changing the formula. Under the new formula, all LEAs would receive the same set dollar amount (\$67.85) per allotted ADM, as in the current formula. Those LEAs with an increase in allotted ADM would *also* receive an amount equal to the set dollar amount (\$67.85), times the amount by which their current year’s allotted ADM exceeds their prior year’s allotted ADM.

Proposed Textbook Allotment Formula

$$\begin{aligned} & 08-09 \text{ Allotted ADM} \times \$67.85 \\ & + \$67.85 \times [(08-09 \text{ Allotted ADM} - 07-08 \text{ Allotted ADM}) \text{ if } > 0] \\ & = \text{Revised 08-09 Textbook Allotment} \end{aligned}$$

Amending the formula in this fashion is expected to cost \$1,444,258.

5. Transportation

The Committee is concerned with the apparent funding inconsistencies between LEAs in the Transportation of Pupils allotment. While it is the sense of the Committee that there are structural issues with the allotment regarding the treatment of local transportation expenditures and the cost of transportation related to public school choice, insufficient time was available to recommend specific changes to this complex system. Therefore, the Committee recommends that the transportation allotment be closely considered as part of a long-term study to examine the equity of the current system and develop options for improving the system's transparency and fairness.

The Committee also heard testimony detailing one-way ride times for some students in excess of two hours from home to school. The Committee is troubled about the impact of lengthy ride times on a student's ability to learn. Therefore, the Committee directs that the long-term study should also explore options for limiting maximum ride times, while accounting for geographic barriers and other concerns.

Lastly, the Committee is aware that diesel fuel costs have increased by over 60% within the last fiscal year. These costs have been supported from other DPI funds, but continued increases may force DPI to pass on some of these costs to the LEAs. The Committee recommends that fuel costs are fully supported by the State in the FY 2008-09 Budget and that creation of a fuel reserve should be considered to help protect against future cost uncertainty.

6. AIG

The Committee believes that the differentiated instruction supported by the Academically or Intellectually Gifted allotment is essential to ensuring that those students with high academic performance capabilities reach their fullest potential. The State only provides funding for AIG services for 4% of a LEA's student population, while 111 of 115 LEAs identify more than 4% of its students as AIG eligible. The Committee recommends that the General Assembly raise this cap to 4.25% in the FY 2008-09 Budget. The cost to increase the cap by 0.25% is \$3,997,390.

While the Committee supports additional investment in this area, it is also concerned about the Office of the State Auditor's February 2008 report on DPI's oversight of AIG funding. The Committee urges DPI to continue to explore the development of state performance standards to monitor local AIG programs, as DPI mentioned in its response to the audit's findings. The Committee also believes that the consideration of a uniform system for identifying AIG students should be a component of a long-term study of North Carolina's public school funding system, or part of a select study group which could build on the Auditor's recommendations for strengthening state oversight of local AIG programs.

7. Disadvantaged Student Supplemental Funding

The Committee recognizes that LEAs are experiencing an increasing number of disadvantaged students, particularly in those LEAs that do not receive Low Wealth Supplemental Funding. The Committee therefore recommends an increase in funding for DSSF.

8. Use of Education Lottery Reserve

The Committee recognizes that in FY 2007-08 only 58 of 115 LEAs are eligible to receive the "local effort" funding provided from the portion of Education Lottery proceeds dedicated to school construction. The Committee therefore recommends using proceeds from the \$50 million Lottery Reserve to ensure that LEAs that do not qualify

for the local effort funding in FY 2008-09 receive the same per-ADM amount as those LEAs that qualify. Using the FY 2007-08 appropriated level for school construction as a basis for comparison, \$32,548,072 would be needed to implement this policy. Such an estimate is not possible for FY 2008-09 as neither a consensus estimate for overall Lottery revenues to education has been finalized, nor has a final determination been made on which LEAs will be eligible for local effort funding in FY 2008-09.

9. Extension of the Committee's Authority

The Committee recognizes that undertaking a significant long-term study of the State public school funding formulas will likely take up to a year. As such, the Committee recommends extending its authorization until after the long-term study is submitted and the Committee has evaluated of modifications to public school funding formulas. . The Committee also recommends that it review the implementation of any modifications to school funding formulas that are enacted by the General Assembly and evaluate the impact of those changes, prior to the completion of the long-term study.

APPENDIX C

clerical staff to the Commission, and the expenses relating to the clerical employees shall be borne by the Commission.

SECTION 36.6. The Commission shall report the results of its study and its recommendations to the 2009 General Assembly upon its convening.

PART XXXVII. DIRECTING THE JOINT LEGISLATIVE STUDY COMMITTEE ON PUBLIC SCHOOL FUNDING FORMULAS TO EXTEND ITS REVIEW OF PUBLIC SCHOOL FUNDING (S.B. 1993 – Swindell)

SECTION 37.1. The Joint Legislative Study Committee on Public School Funding Formulas may review the implementation of any modifications to school funding formulas that are enacted by the General Assembly upon the recommendation of the Committee and shall evaluate the impact of those modifications.

SECTION 37.2. The Committee may report to the General Assembly at least once a year on its activities.

SECTION 37.3. The Committee shall terminate upon completion of its evaluation of modifications to public school funding formulas.

PART XXXVIII. Reserved

PART XXXIX. JOINT LEGISLATIVE STUDY COMMITTEE ON CIVIL COMMITMENT OF SEXUAL PREDATORS WHO ARE DETERMINED TO BE INCAPABLE OF PROCEEDING TO TRIAL (Glazier)

SECTION 39.1. There is created the Joint Legislative Study Committee on Civil Commitment of Sexual Predators Who Are Determined to be Incapable of Proceeding to Trial. The Committee shall consist of 10 members to be appointed as follows: the Speaker of the House of Representatives shall appoint five members of the House of Representatives and the President Pro Tempore of the Senate shall appoint five members the Senate.

The Speaker of the House of Representatives shall appoint a cochair, and the President Pro Tempore of the Senate shall appoint a cochair for the Committee. The Committee may meet at any time upon the joint call of the cochairs. Vacancies on the Committee shall be filled by the same appointing authority as made the initial appointment.

The Committee, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4. The Committee may contract for professional, clerical, or consultant services as provided by G.S. 120-32.02.

Subject to the approval of the Legislative Services Commission, the Committee may meet in the Legislative Building or the Legislative Office Building. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. The House of Representatives' and the Senate's Directors of Legislative Assistants shall assign clerical support staff to