

# **Summary of Findings: Joint Legislative Study Committee on Public School Funding Formulas**

**Joint Appropriations Subcommittee on Education**

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

## **Committee Question Topics-Public Schools**

- How the Report Came to Be
- Scope & Methodology of the Study
- Findings
- Potential Modifications



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## How the Report Came to Be



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3

## How the Report Came to Be

- Established in 2007 Technical Corrections bill
  - Extended via Studies Act of 2008
- “an extensive study of all public school funding formulas”
  - 12 specific formulas
  - ADM projections



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4

## How the Report Came to Be

- 6 meetings in 07-08 interim
  - Staff presentation of formula details
  - Views of NC superintendents & finance officers
  - 3 national experts
- Committee unable to define overriding problem or problems with funding system
- Decision made to hire consultant for further study

## Scope & Methodology of the Study

## Scope of Study

- Focused on how funds are distributed between school districts
  - Equity and/or efficiency of how funds are distributed
  - **Not focused on amount of aid distributed**
- All recommendations fiscally neutral

## Study Methodology

- Interviewed experts and stakeholders
- Reviewed literature
- Analyzed overall LEA revenues from 2003-04 to 2008-09
- Analyzed distribution of individual allotments between 2003-04 to 2008-09

# Findings



## General Findings

- NC's allotment system
  - Has factors that addresses nearly every student or district need
  - Distributes aid in a highly equitable manner
- Flexibility – important strength consistent with standards-based reforms
- Local spending creates some inequality in overall resource levels



## General Findings

- There are a lot of allotments
- Teacher salary schedule not consistent with research on returns to investment for experience and education

## Specific Allotment Findings

- Specific allotments:
  - Teacher allotment: equitable, favors districts with teachers with high experience or education
  - Instructional Support, TAs, CTE, Non-instructional Support, SBA, At-Risk: equitable
  - Low Wealth, Central Office: complex, but working well
  - LEP, DSSF: correlated with district need, working quite well

## Specific Allotment Findings

- Specific allotments:
  - Small County: correlates well with size, but not with wealth
  - Transportation: structure is appropriate
  - Lottery: 65%/35% system helping needier, less wealthy districts receive more funds for capital
  - Children with Disabilities: might not align with variation in LEA needs

## Potential Modifications

## Potential Modifications

- APA offered broad suggestions rather than detailed implementation roadmap
- Potential modifications listed in order of ease of implementation (per APA)
- Modifications toward end of list may subsume options at beginning of list
- Note: overall allotment system found to be working well

## 1. Combine Allotments Distributed on Dollars per ADM Basis

- Combine all allotments that are distributed on the basis of K-12 ADM
  - Textbooks, Supplies & Materials, Non-instructional Support, Technology
  - Allow allotments to be used at LEA's discretion

## 1. Combine Allotments Distributed on Dollars per ADM Basis

### Pros

- Reduces number of allotments
- Increases LEA flexibility versus pre-2009 guidelines

### Cons

- Improves simplicity?
- Reduces GA's ability to target LEA spending

## 2. Modify CWD Allotment to Address Severity

- Set three different payment rates according to severity of disability
  - Mild: \$2,000 per student
  - Moderate: \$5,000 per student
  - Severe: \$10,000 per student

## 2. Modify CWD Allotment to Address Severity

### Pros

- Better align resources with LEA needs

### Cons

- No consensus definitions for mild, moderate, and severe
- Safeguard against migration towards moderate & severe

## 3. Modify Low Wealth

- Modify Low Wealth by either
  - Creating two formulas based on
    - District wealth
    - Tax effort
  - Single formula using “power equalizing procedure”

### 3. Modify Low Wealth

#### Pros

- Unclear

#### Cons

- No appetite for more formulas
- Existing formula already achieves what APA says new formulas would achieve

### 4. Combine At-Risk and DSSF

- Combine and distribute based on either
  - Number of low-performing students
  - A proxy for low-performing students, such as Title I or free/reduced lunch

## 4. Combine At-Risk and DSSF

### Pros

- Eliminates an allotment, simplifying system

### Cons

- Already working well
- Distribution based on actual number of low-performing already rejected
- Leandro concerns

## 5. Modify the Small County Allotment

- Focus allotment only on size, rather than size and adjusted property tax base
- Provide allotment to city and county districts
- Sliding scale of aid

## 5. Modify the Small County Allotment

### Pros

- Focusing on size only simplifies allotment
- Sliding scale consistent with LEA cost curve

### Cons

- City LEA eligibility is incentive against consolidation

## 6. Change Lottery Capital Distribution

- Lottery capital funding should meet two objectives:
  - Wealth-equalize for facility needs
  - Provide incentive for districts to support needed facilities
- New formula taking into account each LEA's wealth level and tax effort

## 6. Change Lottery Capital Distribution

### Pros

- Would provide more resources to less-wealthy counties
- Incentivize increased tax effort

### Cons

- More complicated
- Less-wealthy not same as high-need for capital purposes
- GA might disagree with objectives identified by APA

## 7. Weight the Teacher Allotment

- Weight the allotment based on each district's student needs:
  - Children with disabilities
  - Limited English Proficiency
  - Gifted
  - Enrollment in career-tech

## 7. Weight the Teacher Allotment

### Pros

- Would provide more resources to high-need LEAs
- Could eliminate several categorical allotments

### Cons

- Makes formula more complicated
- Might limit spending flexibility on existing categorical allotments

## 8. Modify Teacher Salary Schedule

- Add two factors to account for uncontrollable cost pressures
  - Geographic cost differences
  - Attractiveness of districts to teachers
- Salaries in each district would be adjusted by interaction of two variables

## 8. Modify Teacher Salary Schedule

### Pros

- Theoretically, will provide more salary money to LEAs with difficulty attracting teachers

### Cons

- No reliable county-specific data available to turn theory into practice
- Bad data could misallocate funds
- Salary fluctuations

## 9. Change Teacher Allotment from Position to Dollar Allotment

- Currently
  - LEAs get guaranteed number of positions, based on ADM
  - State pays salary no matter where teacher falls on salary schedule
- APA proposal
  - Each LEA gets the dollar equivalent of a certain number of teachers

## 9. Change Teacher Allotment from Position to Dollar Allotment

### Pros

- LEAs with younger, less-educated teachers would get more money

### Cons

- LEAs with older, more-educated teachers would get less money
- Incentive to hire less experienced teachers

## 10. Modify Teacher Salary Schedule

- Paying for years of experience and education does not conform to research
- Replace education with professional development goals
- Replace experience with leadership or mentoring roles
- Add performance/differentiated pay

## 10. Modify Teacher Salary Schedule

### Pros

- RttT is implementing
- Could better align teacher pay with effective teachers
- Theoretically, attract higher-quality teaching candidates

### Cons

- Requires careful implementation with stakeholder input
- To date, limited evidence of student achievement gains

## 11. Create a “Foundation” Formula

- Sets a base cost per student, then makes adjustments based on student and district characteristics
- Most states use a foundation formula system

## 11. Create a “Foundation” Formula

### Pros

- Makes NC’s school finance system more like other states

### Cons

- Not materially different from existing system
- Too complex to enact for 2011 Budget
- Limits ability to direct expenditures

## Takeaways

## Takeaways

- APA study largely validated existing school finance system
- Potential modifications range from small tweaks to radical overhaul
- No known advantages to other methods or observed impact on student achievement

## Questions