

Public School Budget Follow-Up: Part I



Brian Matteson
Fiscal Research Division
March 20, 2013



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

Agenda

1. Review of Allotment Flexibility
2. Small County Supplemental Funding
3. Low Wealth Funding



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

Allotment Flexibility

Flexibility in Using Allotted Funds

Funding Flexibility

- Restricted by State:
 - Central Office Administration – funds can move out, but not in
- Restricted by federal maintenance of effort:
 - CTE
 - Children with Disabilities
- Partially-restricted by State:
 - Classroom Teachers – only into TA allotment
 - Teacher Assistants – only into Teacher allotment

Small County Supplemental Funding

Small County Supplemental Funding

2011-12 Budget	2012-13 Budget	% of 12-13 Allotments
44,750,575	45,574,879	0.5%

- **Purpose:** Provides additional support for small county LEAs to compensate for diseconomies of scale
- **Formula:** All county LEAs with fewer than 3,175 students qualify, as do some with fewer than 4,000 students. Funds are then allocated on six different criteria to all qualifying LEAs.

Small County Supplemental Funding

- 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 3,175 students;
 - or
 - Have an ADM of between 3,175 and 4,000 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

Small County Supplemental Funding

- Total funding for eligible LEAs is calculated by aggregating 6 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 5.5 additional regular classroom teachers for LEAs in which the ADM per square mile > 4 .

Dollar equivalent of 7 additional regular classroom teachers for LEAs in which the ADM per square mile < 4 .

Small County Supplemental Funding

- Additional funding considerations:
 3. Dollar equivalent of additional program enhancement teachers adequate to offer the standard course of study
 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 \$717,360
 6. Dollar equivalent of Career Technical Education months of employment and program support generated based on sixth grade ADM

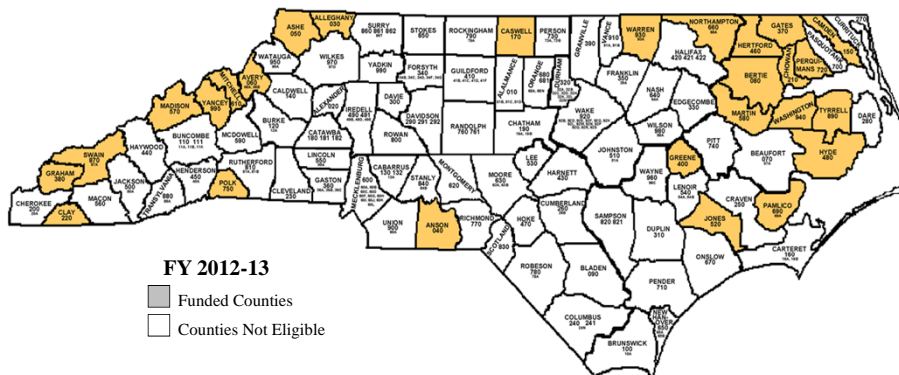
Small County Supplemental Funding

Other Issues of Note:

- Hold Harmless (seven years)
- Non-supplant requirement

Small County Supplemental Funding

Which 27 Counties Receive Funding?



Source: DPI Highlights, February 2013

Small County Supplemental Funding

FY 2012-13 Funding by County

LEA Name	Allotment	ADM	Per ADM
Tyrrell County	\$ 1,720,049	570	\$ 3,017.63
Hyde County	1,713,381	574	2,984.98
Jones County	1,940,526	1,128	1,720.32
Graham County	1,671,834	1,227	1,362.54
Clay County	1,551,851	1,337	1,160.70
Pamlico County	1,503,294	1,393	1,079.18
Alleghany County	1,460,219	1,446	1,009.83
Washington County	1,714,625	1,710	1,002.70
Perquimans County	1,539,461	1,769	870.24
Gates County	1,523,305	1,794	849.11
Camden County	1,590,449	1,942	818.97
Swain County	1,566,075	1,982	790.15
Mitchell County	1,556,806	2,071	751.72
Avery County	1,539,739	2,141	719.17

Source: DPI Highlights, February 2013

Small County Supplemental Funding

FY 2012-13 Funding by County

LEA Name	Allotment	ADM	Per ADM
Northampton County	1,566,136	2,230	702.30
Yancey County	1,571,927	2,367	664.10
Chowan County	1,474,391	2,283	645.81
Polk County	1,480,066	2,300	643.51
Warren County	1,537,100	2,426	633.59
Bertie County	1,583,768	2,696	587.45
Madison County	1,478,456	2,548	580.24
Caswell County	1,540,533	2,858	539.02
Hertford County	1,558,342	3,047	511.43
Greene County	1,599,159	3,213	497.72
Ashe County	1,476,726	3,139	470.44
Anson County	1,645,912	3,744	439.61
Martin County	1,608,884	3,721	432.38
Total	\$ 42,713,014	Avg \$	\$ 943.88

Source: DPI Highlights, February 2013



13

March 20, 2013

Small County Supplemental Funding

- Funds can be used for virtually any purpose with two significant exceptions:
 - Central Office Administration
 - Capital Construction Projects
- LEAs are encouraged to use at least 20% of Small County funding to improve student performance for students scoring at Level I or II on End of Grade tests



14

March 20, 2013

Low Wealth Supplemental Funding

Low Wealth Supplemental Funding

2011-12 Budget	2012-13 Budget	% of 12-13 Allotments
226,892,540	227,417,694	2.7%

- **Purpose:** Provides funding for counties that have below State-average ability to generate local revenue to support public schools
- **Formula:** Only LEAs with calculated county wealth of less than 100% of the State average qualify. Qualifying LEAs can receive a maximum of the amount required to bring that district up to the statewide average local revenue per student

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

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		\$5,289,888,120
Less: Agricultural Use Value		\$215,751,853
Property Value to be Adjusted		\$5,074,136,267
Divided by: Weighted Sales Assessment Ratio		0.9779
Adjusted Real Property Value		\$5,188,808,945
Plus: Public Service Company Value		\$114,209,989
Plus: Personal Property Value		\$1,487,912,911
Plus: Agricultural Use Value		\$215,751,853
County Adjusted Property Tax Base		\$7,006,683,698
Convert County Adjusted Property Tax Base to Anticipated Revenue:		
(a) County Adjusted Property Tax Base		\$7,006,683,698
(b) State Average "Effective" Tax Rate		0.5770
<small>(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)</small>		
(a)/100 x (b) Anticipated County Property Tax Revenue Avail		\$40,428,565
Plus: Additional Revenue *		\$12,890,078
<small>* (Local Sales and Use Taxes, Fines & Forfeitures)</small>		
(a) Anticipated Total County Revenue Availability		\$53,318,643
Calculate Anticipated Total County Revenue Availability per Student:		
(b) Total County's Average Daily Membership (ADM)		17,804
(C)=(a)/(b) Anticipated Total County Revenue Availability per ADM		\$2,995
(d) Anticipated State Average Revenue Availability per ADM		\$4,897
County Percentage of State Average County Revenue per ADM		
(C)/(d) =		61.16%

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		\$7,006,683,698
(b) Square Miles in County		540.269
(C)=(a)/(b) County Adjusted Property Tax Base per Square Mile		\$12,968,880
(d) State Average Adjusted Property Tax Base per Square Mile		\$20,989,207
County Percentage of State Average Property Tax Base per Square Mile		
(C)/(d) =		61.79%

Per Capita Income:			Year 2007, 08 & 09
(a) County 3 Year Average Per Capita Income			33,124
(b) State 3 Year Average Per Capita Income			35,177
County Percentage of State 3 Year Average Per Capita Income			
(a)/(b) =			94.16%

Low Wealth Counties Supplemental Funding

Allotment Formula Step 2 - Eligibility

Eligible for Funding:		
40% of the County Percentage of Revenue Base per ADM		24.46%
10% of the County Percentage of Property Tax Base per Mile		6.18%
50% of the County Percentage of Per Capita Income		47.08%
County Wealth as a Percentage of State Average Wealth		77.72%

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

**77.72% = “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) (Per \$100 in Property Valuation)	0.6700
(b) Weighted Sales Assessment Ratio	0.9779
(C) = (a)x(b) Effective County Tax Rate	0.6550
Effective State Average Tax Rate	0.5770

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

2nd way to meet effort requirement:

Actual County Appropriation to Schools	\$22,758,210
County's ADM	17,804
(d) Actual County Appropriation per ADM	\$1,278.26
(a) State Average Local Appropriation per ADM	\$1,675.78
(b) County Wealth as a Percentage of State Average	77.72%
(C) = (a) x (b) Calculated County Appropriation per ADM	\$1,302.42
Local Effort % = Actual County Appropriation as a Percentage of	
(e) = (d)/(C) Calculated County Appropriation per ADM	98.10%

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		\$1,675.78
(b) County Wealth as a Percentage of State Average		77.72%
(C)=(a)x(b) Calculated County Appropriation per ADM		\$1,302.42
(d) State Average Local Appropriation per ADM		\$1,675.78
(e)=(d)-(C) Difference From State Average		\$373.36
(if more than State Average, then Difference = 0)		
(f) Total County's Average Daily Membership (ADM)		17,804
(g) = (e) x (f) Unadjusted Allotment (if funded at 100%)		\$6,647,301
Calculation of Local Effort% Proration:		
Unadjusted Allotment		\$6,647,301
Final Funding %		100%
Adjusted Allotment by Local Effort %		\$6,647,301

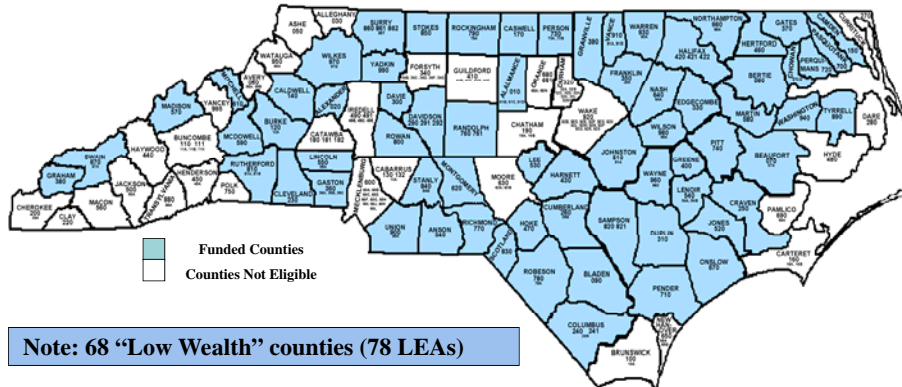
Low Wealth Counties Supplemental Funding

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

Which Counties Receive Funding?



Source: DPI Highlights, February 2013

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

27

March 20, 2013

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

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

28

March 20, 2013