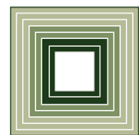


Summary of Findings: Joint Legislative Study Committee on Public School Funding Formulas

Joint Appropriations Subcommittee on Education

April 11, 2013



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

How the Report Came to Be



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



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

- 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 at best



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 2013 Budget
- Can limit ability to direct expenditures

Takeaways



Takeaways

- APA study largely validated NC's existing school finance system
- No known advantages to other methods or observed impact on student achievement
- Many recommendations simply made because “most other states do it that way”



Questions

