



Education Subcommittee 2013-15 Fiscal Biennium Budget Highlights

Fiscal Brief

October 22, 2013

The North Carolina General Assembly House and Senate Appropriations Subcommittees on Education (ED Subcommittee) determine the budget for the State’s three education systems: Public Schools, Community Colleges, and the University of North Carolina.

Actual and Enacted Expenditures and Receipts¹

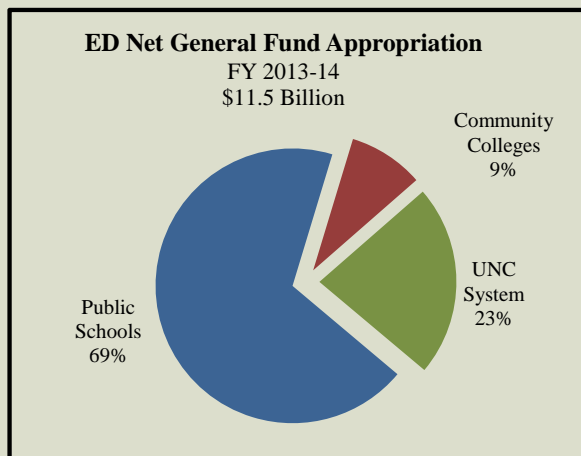
	<u>Actual</u> <u>FY 2011-12</u>	<u>Actual</u> <u>FY 2012-13</u>	<u>Enacted</u> <u>2013-14</u>	<u>Enacted</u> <u>2014-15</u>
Expenditures	15,302,551,398	15,519,690,197	16,766,520,816	16,899,632,465
Less: Receipts	4,169,846,914	4,091,556,274	5,296,216,430	5,237,141,667
Net General Fund Appropriations	\$11,132,704,484	\$11,428,133,923	\$11,470,304,386	\$11,662,490,798
Positions (FTE)²	39,014.0	36,347.1	36,490.5	36,499.3

¹ Department or Division level budget and FTE information is provided in tables at the end of this budget brief.

² Local school district and community college staff are not included in position counts as they are not State employees; additionally, this does not reflect positions that may be eliminated as part of management flexibility reductions.

Budget Overview

The enacted FY 2013-14 Net General Fund Appropriation for the ED Subcommittee Agencies is \$11.5 billion. This is a reduction of 2.2% from the FY 2013-14 Continuation Budget. The General Fund Appropriation funds 36,490 full-time equivalent positions (FTE).³ The chart below shows the subcommittee budget by agency.



³ Local school district and community college staff are not included in position counts as they are not State Employees; additionally, this does not reflect positions that may be eliminated as part of management flexibility reductions.

S.L. 2013-360, Appropriations Act of 2013, (S.B.402), as amended by S.L. 2013-363, Modifications/ 2013 Appropriations Act, (H.B. 112), appropriates \$11.5 billion for the three Education (ED) agencies.

Legislative adjustments reduced the Continuation Budget for ED by \$262 million in FY 2013-14. In FY 2014-15, the ED Continuation Budget has been reduced by \$224 million. This Fiscal Brief provides a summary of the adjusted 2013-15 biennial budget for ED. Priority areas include:

- Modifying management flexibility reductions, including elimination of the Local School District (LEA) Flexibility Reduction
- Reforming funding and operations for all education sectors
- Supporting targeted new investments
- Modifying tuition for higher education

Management Flexibility Reductions

The FY 2013-15 Continuation Budgets for Public Schools and Community Colleges contained management flexibility reductions – budget cuts that the Department of Public Instruction (DPI) and the



State Board of Community Colleges were charged with allocating amongst public schools and college campuses. For the UNC System, reductions made to meet previous management flexibility reductions were built into its FY 2013-15 Continuation Budget. The Appropriations Act of 2013 modified the management flexibility requirements for all three education sectors:

- North Carolina school districts (LEAs) were subject to an LEA Adjustment (flex cuts), or management flexibility reduction, since FY 2009-10. The reduction required LEAs to identify cuts from funding allotments, instead of the General Assembly making specific cuts to particular allotments. The FY 2013-14 LEA Adjustment was set to be \$376.1 million but the legislature instead makes the following specific allotment reductions in its place:

	FY 2013-14	FY 2014-15
Classroom Teachers	-\$286 M	-\$246 M
Instructional Support	-\$17 M	-\$17 M
Instructional Supplies	-\$7 M	-\$7 M

These reductions approximate the flex cuts made by the LEAs the last two years.

- The NC Community College System’s (NCCCS) management flexibility reduction was set to be \$83.2 million in FY 2013-14 and FY 2014-15. The Appropriations Act of 2013 provides additional funding to lower the reduction by \$9 million in FY 2013-14 and \$24 million in FY 2014-15. These funds are distributed through the System’s Institutional Performance Accountability structure, discussed in greater detail below.
- The University of North Carolina (UNC) System receives a management flexibility reduction of \$65.8 million in FY 2013-14 and \$73.6 million in FY 2014-15. These unspecified funding cuts represent 2.4 and 2.7 percent, respectively, of each year’s General Fund continuation budget.

Education Reform

Significant reforms are made to the funding and operation of the State’s education system. A brief description of those changes, by sector, follows:

Public Schools

- **School Performance Grades.** The school performance grade calculation method is updated to give all public schools achievement, growth, and performance scores. Achievement is measured by the percentage of students passing End of Grade or Course tests or succeeding on other performance goals. Growth is calculated using a system that takes into account students’ past test results to predict an expected academic growth specific to the population of students in a given school. Lastly, performance will be reflected with an overall letter grade designation of A through F, which considers the achievement score, and, in most cases, the growth score. New grades will first be reported in fall 2014, based upon 2013-14 school year performance data.
- **Teacher Tenure.** Career status for all teachers is phased out over the next four years. Probationary teachers without career status may no longer obtain it as of August 1, 2013. Between the 2014-15 and 2018-19 school year, probationary teachers will remain on one-year contracts. All teachers that have taught more than three years (including probationary teachers) will be assessed during the 2013-14 school year, and 25 percent will be offered four-year contracts, based on performance. Teachers opting to sign a four-year contract will receive an annual pay increase of \$500 for each of the four years. The new teacher contract laws and procedures will apply to all teachers on a one- or four-year contract, beginning July 1, 2014. For all other teachers, career status expires on June 30, 2018 after which they will be offered one-, two-, or four-year contracts.
- **Opportunity Scholarships.** Beginning in FY 2014-15, this program supports scholarships of up to \$4,200 for eligible students attending private school. Eligible students must 1) have been enrolled in a North Carolina public school during the spring 2014 semester¹ and, 2) be from families whose annual income is at or below 185% of the federal poverty guidelines. In FY 2014-15, \$10 million is to support the Scholarships, while \$11.2 million is reduced from LEA funding allotments due

¹ Eligibility requirements are less restrictive in FY 2015-16.



to the decreased anticipated public school student headcount associated with the Scholarships.

Community Colleges

- **Performance Funding.** As noted above, funding of \$9 million in FY 2013-14 and \$24 million in FY 2014-15 is provided to begin the reallocation of community college regular funding streams to the NCCCS System's Institutional Performance Accountability structure. Offsetting these additional resources are reductions of \$9 million in FY 2013-14 and \$12 million in FY 2014-15 to Curriculum, Continuing Education, and Basic Skills formula funding. The Accountability structure was developed by the State Board of Community Colleges at the direction of the General Assembly. It will assess institutional performance in areas such as retention and graduation rates, student progression, and licensure and certification exam pass rates.

Colleges are eligible to receive performance funding allocations for each specific measure, but the two Basic Skills measures will not be included until FY 2014-15. The other six metrics are operational in FY 2013-14.

- **Student Enrollment Funding.** In funding community colleges, the General Assembly has utilized a funding model that compensates colleges based on the higher of the prior year's actual Full-Time Equivalent (FTE) student enrollment or a three-year average FTE. The Appropriations Act of 2013 adopts a two-year FTE average instead of the three-year FTE average. This change results in savings of \$19.9 million in each year of the biennium, as most colleges are experiencing enrollment declines. \$4 million in nonrecurring funding is provided in FY 2013-14 to phase in the reduction for those colleges most affected by the formula change. In addition, colleges will now be allowed to count summer enrollment in certain subject areas in its FTE calculation for State funding beginning in Summer 2014.

University of North Carolina

- **Strategic Directions.** In February 2013, UNC published *Our Time, Our Future: The UNC*

Compact with North Carolina (Strategic Directions), articulating a 5-year strategic plan for the University System. The document identified potential administrative and operational efficiencies within the UNC System, as well as funding priorities. The efficiency options are adopted in the 2013 Appropriations Act, with related savings totaling \$25.8 million in FY 2013-14 and \$38 million in FY 2014-15. The UNC Board of Governors is also authorized to use up to \$15 million of its State appropriations to implement some of the Board's Strategic Directions priorities.

Other New or Expanded Initiatives

Targeted investments are made in these areas:

School Safety. Provides \$9 million recurring to school districts to hire School Resource Officers in elementary and middle schools and both install and maintain panic alarms in public schools.

Advanced Placement/International Baccalaureate (AP/IB). Creates a partnership designed to help school districts enhance AP/IB participation and, starting in FY 2014-15, defrays student test fees for AP/IB exams at a total cost of \$1.5 million in FY 2013-14 and \$12.3 million in FY 2014-15.

Teach for America (TFA). Provides an additional \$5.1 million in annual State support to this teacher recruitment and development entity to: 1) support the establishment of a TFA program in the Triad region, 2) grow existing TFA efforts in Southeastern North Carolina, and 3) manage the NC Teacher Corps program currently overseen by DPI.

Read to Achieve. Supports efforts initiated in 2012 to implement Read to Achieve. New funding will provide summer reading camps for students not demonstrating reading proficiency and professional development for kindergarten entry assessments.

Community College Equipment Support. Provides an additional \$10 million in nonrecurring State support for the purchase of instructional equipment and technology at all 58 colleges. Total FY 2013-14 State equipment funding will be \$59 million.

Tuition Changes

Community Colleges

- Tuition is increased by \$2.50 per credit hour to provide an additional \$10.4 million per year



in receipts to NCCCS. A corresponding reduction in General Fund funding is also taken in both years of the biennium. NC Community College tuition remains amongst the lowest in the nation.

- The Senior Citizen tuition waiver is also eliminated for \$1 million in annual savings.

University of North Carolina

- Nonresident undergraduate tuition is increased in FY 2014-15 at most UNC institutions to provide an additional \$27.2 million per year in receipts to the UNC System. A corresponding reduction in General Fund funding is also taken. While nonresident tuition is increased, resident tuition is not modified from the UNC Board of Governors approved rates. UNC resident tuition and fees remains amongst the lowest in the nation as compared to peer institutions.

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Actual and Certified Expenditures and Receipts by Agency

Public Schools

	Actual FY 2011-12	Actual FY 2012-13	Enacted FY 2013-14	Enacted FY 2014-15
Expenditures	9,811,730,350	9,804,398,812	11,168,332,164	11,308,116,403
Less: Receipts	2,232,043,008	2,064,365,645	3,302,371,515	3,262,014,781
Net General Fund Appropriations	\$7,579,687,342	\$7,740,033,167	\$7,865,960,649	\$8,046,101,622
Positions (FTE)	1,327.0	1,339.2	1,342.2	1,342.2

North Carolina Community College System

	Actual FY 2011-12	Actual FY 2012-13	Enacted FY 2013-14	Enacted FY 2014-15
Expenditures	1,408,984,454	1,458,457,154	1,447,357,557	1,442,715,567
Less: Receipts	406,902,845	422,203,748	426,062,090	426,228,100
Net General Fund Appropriations	\$1,002,081,609	\$1,036,253,406	\$1,021,295,467	\$1,016,487,467
Positions (FTE)	194.0	194.1	194.1	194.1

University of North Carolina

	Actual FY 2011-12	Actual FY 2012-13	Enacted FY 2013-14	Enacted FY 2014-15
Expenditures	4,081,836,595	4,256,834,231	4,150,831,095	4,148,800,495
Less: Receipts	1,530,901,060	1,604,986,880	1,567,782,825	1,548,898,786
Net General Fund Appropriations	\$2,550,935,535	\$2,651,847,351	\$2,583,048,270	\$2,599,901,709
Positions (FTE)	37,493.0	34,813.8	34,954.2	34,963.0

Change in FTE, FY 2013-14¹

	Vacant	Filled	Receipts	New	Transfers	Net Change
Education						
Public Schools	-	-	-	3.0	-	3.0
Community Colleges ²	-	-	-	-	2.5	2.5
UNC System	-	-	-	-	-	-
Total Education	-	-	-	3.0	2.5	5.5

¹ Local school district and community college staff are not included in position counts as they are not State employees; additionally, this table does not reflect positions that may be eliminated as part of management flexibility reductions.

² Reflects shift of 2.5 FTE from receipt support to General Fund support.