



Education Subcommittee FY 2011-13 Budget Highlights

Fiscal Brief

February 2012

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

Actual and Certified General Fund Expenditures and Receipts¹

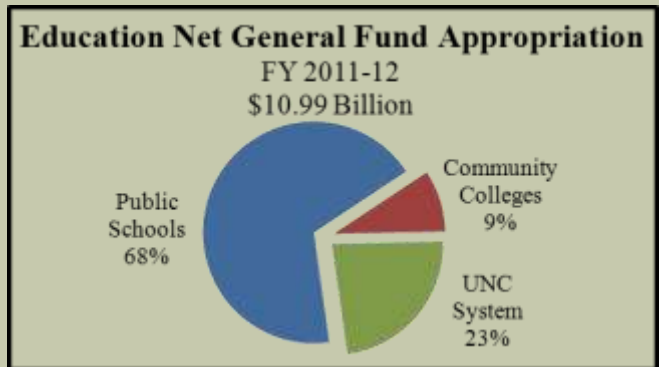
	<u>Actual</u> <u>FY 2009-10</u>	<u>Actual</u> <u>FY 2010-11</u>	<u>Certified</u> <u>FY 2011-12</u>	<u>Certified</u> <u>FY 2012-13</u>
Expenditures	15,120,986,003	15,536,779,662	15,313,852,758	15,227,781,845
Less: Receipts	4,088,730,972	4,670,401,158	4,323,985,569	4,246,987,047
Net General Fund Appropriations	\$11,032,255,031	\$10,866,378,504	\$10,989,867,189	\$10,980,794,798
Positions (FTE)²	38,206.7	38,751.8	38,889.3	38,633.3

¹System-level budget and FTE information is provided in tables at the end of this budget brief.

²Local 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 Certified FY 2011-12 Net General Fund Appropriation for the Education Subcommittee Agencies is \$10.99 billion. This is a reduction of 7.8% from the Continuation Budget. The General Fund Appropriation funds 38,889.3 full-time equivalent positions (FTE), 0.4% more than the Continuation Budget FTE³. The chart below shows the subcommittee budget by agency.



³Local 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. 2011-145, Appropriations Act of 2011 (H.B. 200), as amended by S.L. 2011-391, 2011 Budget Technical Corrections (H.B. 22), appropriates \$10.99 billion for the State’s three education systems. The FY 2011-12 Continuation Budget for Education was \$11.91 billion. Subcommittee reductions were based on an estimated State budget gap of \$2.6 billion. Click [here](#) for more information on the FY 2011-12 budget gap. The Education Subcommittee reduced spending by \$923.6 million for FY 2011-12. The Subcommittee met for several months to discuss various reduction options, focusing on enrollment growth, flexibility, and refocusing existing resources. This Fiscal Brief provides a summary of the FY 2011-13 Education Budget.

Enrollment Growth

Typically, funds for student enrollment growth in Public Schools, the NC Community College System (NCCCS), and the University of North Carolina (UNC) System are included in the Governor’s Recommended Continuation budget. For 2011, the Governor did not include these funds in her continuation budget. The Education Subcommittee

funded both years of enrollment growth for Public Schools and NCCCS and funded FY 2011-12 enrollment growth for the UNC System. The table below shows net General Fund appropriations for enrollment growth.

Net Appropriations for Enrollment Growth

	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Public Schools	55,882,651	137,209,514
Community Colleges	31,140,158	47,699,747
UNC System	46,818,123	46,818,123
Total	\$133,840,932	\$231,727,384

Flexibility

Budget Flexibility

Through the Appropriations Act, the Education Subcommittee gave the education systems significant flexibility to manage budget reductions enacted by the General Assembly.

The Public Schools budget increased the Local Education Agency (LEA) flexibility adjustment by \$124.2 million in FY 2011-12 and \$198.3 million in FY 2012-13. The FY 2009-10 and FY 2010-11 budgets also contained recurring flexible reductions of \$225.0 and \$304.8 million respectively. Including the \$304.8 million flexible reduction built into the continuation budget, the total flexibility adjustment is \$429.0 million in FY 2011-12 and \$503.1 million in FY 2012-13. The flexibility adjustment enables school districts to identify reductions from funding allotments based on its local needs, in lieu of State-level funding cuts.

As in the FY 2009-10 and FY 2010-11 budgets, LEAs are given broad flexibility to expend State funds across categories and purposes. The only prohibitions are that LEAs may not spend:

1. Teacher and teacher assistants funding in other categories; and
2. Funds not appropriated for central office administration for that purpose.

For NCCCS, the management flexibility reduction totaled \$50.8 million in FY 2011-12 and \$58.5 million in FY 2012-13. The funding cut represents 4.6 percent and 5.3 percent respectively of each year’s continuation budget. Additionally, colleges were granted flexibility to use their equipment allocations for renovations, repairs, and new construction (Sec. 8.8) and flexibility in the investment of institutional funds (Sec. 8.20).

For the UNC system, the management flexibility reduction totaled \$414.0 million in FY 2011-12 and \$423.2 in FY 2012-13. These funding cuts represent 14.3 percent and 14.7 percent respectively of each year’s continuation budget.

S.L. 2011-145, Appropriations Act of 2011, Sec. 9.6, provides guidance to the UNC Board of Governors in allocating this management flexibility reduction among the system’s campuses. The provision prohibited the Board of Governors from allocating the cut to each campus using an “across-the-board method,” and it directed that the Board limit reductions to certain programs and make no cuts to certain programs including need-based financial aid, the North Carolina Research Campus at Kannapolis, and the Joint Graduate School of Nanoscience and Nanoengineering at North Carolina Agricultural and Technical State University and the University of North Carolina at Greensboro.

Operating Flexibility

The Education Subcommittee increased the education agencies’ operating flexibility, eliminating current regulations and requirements to permit the agencies to operate more efficiently.

For Public Schools, the operating flexibility changes:

- Reduced teacher and school district paperwork by eliminating multiple reports;
- Halved the required continuing education requirements of classroom teachers; and
- Permitted LEAs to waive class size restrictions in grades 4-12.

For NCCCS, the operating flexibility changes:

- Increased the authority of the State Board of Community Colleges for capital projects;
- Permitted colleges to contract privately for audits; and
- Exempted the State Board of Community Colleges from the Administrative Procedures Act.

For the UNC System, the operating flexibility changes:

- Increased the authority of campus chancellors to spend operating funds for capital needs;
- Allowed North Carolina State University (NCSU) to perform its own energy saving projects rather than contracting with an outside vendor;
- Allowed the University System and the UNC Health Care System to invest institutional trust

fund money outside of the State Treasurer's purview;

- Removed UNC from the State Department of Administration's purview for some purchases and quality-assurance processes;
- Permitted NCSU to sell timber from unimproved timberlands owned/managed by the campus; and
- Allowed the University System to purchase campus safety motor vehicles outside of the Motor Fleet Management's purview.

Refocus and Realign Existing Resources

Finally, the Education Subcommittee refocused and realigned existing resources where possible to continue funding for core programs.

For Public Schools, the Education Subcommittee prioritized support for direct classroom services. It increased funding for the classroom teacher allotment by \$61.7 million in FY 2011-12 and \$62.8 million in FY 2012-13 to reduce the teacher-to-student allotment ratio from 1 teacher to every 18 students to 1:17 in grades K-3. The General Assembly's stated intent is to reduce the K-3 teacher-to-student allotment ratio to 1:15 as funds become available. The subcommittee also focused the majority of public schools' funding reductions on administrative functions, textbooks and instructional supplies.

The Education Subcommittee also realigned public schools' programs. It transferred the More at Four program to the Department of Health and Human Services, which administers nearly all other early childhood programming as well as child care regulation. The program was renamed NC Pre-K and is directed to continue to offer high quality services to low-income and at-risk four year olds in public school and private child care settings.

For NCCCS, the Education Subcommittee refocused curriculum and continuing education formula funding by eliminating categorical funding for health sciences, technical education, and heavy equipment, and directing the that formula funding be restructured to provide more funding per full-time equivalent (FTE) to high-cost programs and programs leading to a credential.

Finally, the committee considered a number of issues related to State-funded student financial aid, including diminishing funding availability from the Escheat Fund and consolidating aid programs.

Escheat Fund

The Escheat Fund is the State's unclaimed property fund; per G.S. 116B-7, interest income from the fund is to be used for financial aid to needy students in the UNC and Community College Systems. In recent years, principal from the fund has also been used to fund these programs.

With insufficient funding in the Escheat Fund to continue funding at previous years' levels for the biennium, the Education Subcommittee decreased the share of funding for the UNC Need-based Financial Aid Program from the Escheat Fund and increased the share from the General Fund. In FY 2011-12, total funds available for the program are \$301,446 lower than the FY 2011-12 base budget.

Consolidations

Finally, the Education Subcommittee examined ways to consolidate existing aid programs within existing resources.

Three scholarship programs for private college students (the Legislative Tuition Grant, the State Contractual Scholarship Fund, and Other Aid to Private College Students) were combined into one program for needy students beginning in FY 2012-13.

Additionally, S.L. 2011-74, Establish Forgivable Loan Fund, consolidated a number of existing scholarship-loan programs into one new forgivable loan for service program. The Education Subcommittee further simplified this consolidation by shifting these programs completely to General Fund support (from a combination of General Fund and Escheat Fund).

For additional information, please contact:

Education

<i>Andrea Poole</i>	<i>andrea.poole@ncleg.net</i>
<i>Denise Harb</i>	<i>denise.harb@ncleg.net</i>
<i>Brian Matteson</i>	<i>brian.matteson@ncleg.net</i>
<i>Kris Nordstrom</i>	<i>kristopher.nordstrom@ncleg.net</i>

*Fiscal Research Division
NC General Assembly
300 N. Salisbury St., Room 619
Raleigh, North Carolina 27603-5925
(919) 733-4910
<http://www.ncleg.net/fiscalresearch>*

Actual and Certified General Fund Expenditures and Receipts

Public Schools

	Actual FY 2009-10	Actual FY 2010-11	Certified FY 2011-12	Certified FY 2012-13
Expenditures	9,774,332,053	9,880,005,712	9,875,647,043	9,855,223,491
Less: Receipts	2,287,773,128	2,618,246,848	2,411,154,986	2,411,101,391
Net General Fund Appropriations	\$7,486,558,925	\$7,261,758,864	\$7,464,492,057	\$7,444,122,100
Positions (FTE) ^{1,2,3}	791.3	1,343.2	1,205.4	1,065.4

North Carolina Community College System

	Actual FY 2009-10	Actual FY 2010-11	Certified FY 2011-12	Certified FY 2012-13
Expenditures	1,283,622,533	1,414,755,409	1,403,385,064	1,421,697,248
Less: Receipts	338,323,666	400,946,028	418,385,064	436,697,248
Net General Fund Appropriations	\$945,298,867	\$1,013,809,381	\$985,000,000	\$985,000,000
Positions (FTE) ¹	218.0	210.0	191.0	191.0

University of North Carolina

	Actual FY 2009-10	Actual FY 2010-11	Certified FY 2011-12	Certified FY 2012-13
Expenditures	4,063,031,417	4,242,018,541	4,034,820,651	3,950,861,106
Less: Receipts	1,462,634,178	1,651,208,282	1,494,445,519	1,399,188,408
Net General Fund Appropriation	\$2,600,397,239	\$2,590,810,258	\$2,540,375,132	\$2,551,672,698
Positions (FTE) ¹	37,197.5	37,198.6	37,493.0	37,376.9

Change in FTE, FY 2011-12¹

	Vacant	Filled	Receipts	New	Transfers	Net Change
Education						
Public Schools ^{2, 3}	(10.0)	(89.5)	-	-	-	(99.5)
Community Colleges	(11.0)	(8.0)	(6.0)	-	-	(25.0)
UNC System	-	-	-	309.8	-	309.8
Total Education	(21.0)	(97.5)	(6.0)	309.8	-	185.3

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 Vacant/filled designations are estimates as these position eliminations were left to the agency's discretion.

³ Some receipt-supported positions in the Department of Public Instruction's Office of Early Learning may be transferred to the Department of Health and Human Services due to the transfer of the More at Four program. The Appropriations Act of 2011 did not specify the number of positions to be eliminated or transferred.