



Education Committee

2015-17 Fiscal Biennium Budget Highlights

Fiscal Brief

October 23, 2015

The North Carolina General Assembly House and Senate Appropriations Committees on Education (ED Committees) develop and recommend the budget for the State's three education systems: Public Schools, the North Carolina Community College System (NCCCS), and the University of North Carolina System (UNC).

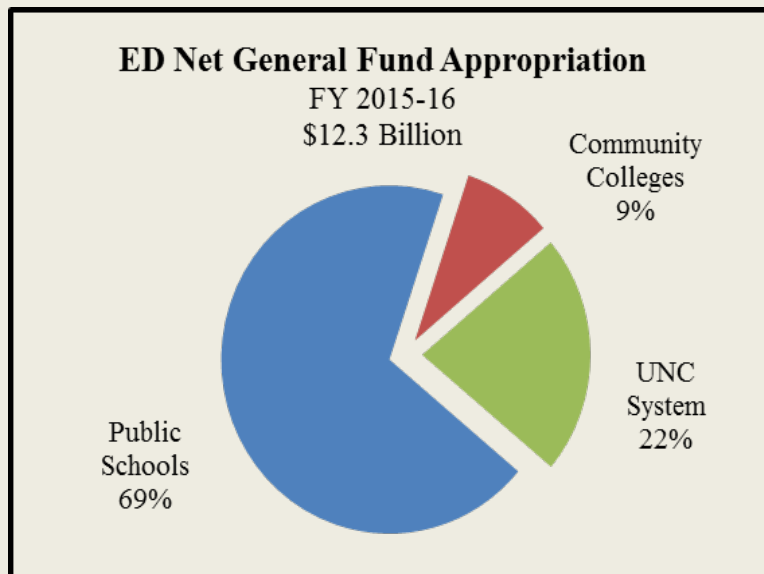
Actual and Enacted Expenditures and Receipts¹

	<u>Actual</u> <u>FY 2013-14</u>	<u>Actual</u> <u>FY 2014-15</u>	<u>Enacted</u> <u>FY 2015-16</u>	<u>Enacted</u> <u>FY 2016-17</u>
Expenditures	15,541,693,912	16,059,004,380	18,651,963,382	18,522,704,944
Less: Receipts	4,185,298,049	4,351,840,838	6,319,564,509	6,354,056,876
Net General Fund Appropriations	\$11,356,395,863	\$11,707,163,542	\$12,332,398,873	\$12,168,648,068
Positions (FTE)	36,271.7	36,238.4	36,229.9	36,114.9

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

Budget Overview

The enacted FY 2015-16 net General Fund appropriation for the agencies under the purview of the ED Committee is \$12.3 billion. This is an increase of 4.5% from the FY 2015-16 base budget. The net General Fund appropriation funds 36,230 full-time equivalent positions (FTE).² The chart below shows the distribution of funds by agency.



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



S.L. 2015-241, 2015 Appropriations Act (H.B. 97), as amended by S.L. 2015-268, General Government Technical Corrections (H.B. 259) and S.L. 2015-264, GSC Technical Corrections 2015 (S.B. 119), appropriates \$12.3 billion for the three Education (ED) agencies. Legislative adjustments to the FY 2015-16 base budget for the ED agencies increase spending by \$530 million. The General Assembly focused primarily on the following major areas in education:

- Changing funding formulas and expanding initiatives across all three ED agencies;
- Making technical adjustments to the FY 2015-17 base budget;
- Modifying financial aid and tuition;
- Increasing compensation for employees of the State, UNC System, Community Colleges, and local school districts (LEAs); and,
- Modifying major public school statutes.

This fiscal brief summarizes actions made in the FY 2015-17 biennial budget for Education.

Policy and Funding Formula Changes

S.L. 2015-241 significantly modifies the funding and operation of the State's education system. The most substantial changes are as follows:

Public Schools

- **Teacher Assistants:** The 2015 Appropriations Act maintains per-student funding for the Teacher Assistants allotment at FY 2014-15 levels while adjusting its fund source from partially Lottery-supported to completely General Fund-supported. The General Assembly also modified the distribution formula for this allotment. Formerly, LEAs received a dollar allocation for every student in grades K-3. In its place, the new formula provides support on the basis of the dollar equivalent of teacher assistant positions as follows:
 - Two teacher assistants for every three classes in kindergarten.
 - One teacher assistant for every two classes in 1st and 2nd grades.
 - One teacher assistant for every three classes in 3rd grade.

- **Class Size Reduction:** The General Assembly built upon prior efforts to decrease class sizes in the earliest grades by providing \$26.9 million in FY 2016-17 to reduce the Classroom Teachers allocation for 1st grade from one guaranteed position for every 17 students (1:17) to one position for every 16 students (1:16). From FY 2013-14 to FY 2016-17 the General Assembly has provided funds to reduce 1st grade class size from 1:19 to 1:16.
- **Read to Achieve (RTA) Reading Camps:** S.L. 2015-241 provides \$20 million in FY 2015-16 and FY 2016-17 in additional funding to expand Reading Camps. The Camps have previously served 3rd grade students who demonstrate reading comprehension below grade level. The new funds will enable the program to be expanded to include 1st and 2nd graders also reading below grade level.
- **Driver Training:** The 2015 Appropriations Act restores funding for this activity and requires the Department of Public Instruction to conduct a thorough review of LEA Driver Training programs. \$24.1 million in General Fund support is provided for the program in FY 2015-16 as a bridge to a new Driver Training funding mechanism. Beginning in FY 2016-17, a new vehicle registration late fee will support program operations through December 31, 2017.

Higher Education

- **Deferred Admission:** Section 11.7 of S.L. 2015-241 directs UNC and NCCCS to collaborate to develop and implement a program of deferred admission to be known as the NC Guaranteed Admission Program (NC GAP). Under the program, a percentage of applicants to UNC constituent institutions who meet admission requirements but are identified as at greater risk of not graduating within six years relative to their peers will be offered guaranteed admission contingent upon first completing an associate degree at a NCCCS college. The systems are to report to the legislature on the design and implications of NC GAP by March 1, 2016. Each college and university is required to implement NC GAP beginning in FY 2016-17 for applicants



applying for admission in the 2017-18 academic year.

- **Year-Round Instructional Support:** Section 10.5 of S.L. 2015-241 authorizes community colleges to receive State support for curriculum courses taught year round, including during the summer term. Previously colleges had to use other fund sources to support summer curriculum course instruction. This change will allow colleges to offer more instruction and provide students greater opportunity to accelerate degree completion. The budget appropriates \$16.9 million beginning in FY 2016-17 for this purpose.
- **Advancement Activity Limitations:** The budget restricts the use of General Fund appropriations for fund raising activities to no more than \$1 million per constituent institution beginning in FY 2016-17. The budget makes a \$16.4 million reduction to the University System as a result of this restriction.

Financial Aid and Tuition Modifications

Funding Modifications

The budget appropriates an additional \$16.4 million for financial aid administered by the University of North Carolina System, including:

- **Opportunity Scholarships:** \$6.8 million in FY 2015-16 and \$14 million in FY 2016-17 for the Opportunity Scholarship program for eligible public school students from low-income households to attend private schools. This increase, once fully implemented, represents a 129% increase in funding for the program.
- **Need Based Aid to Private Colleges and Universities:** \$1 million in FY 2015-16 and \$2 million in FY 2016-17 for North Carolina residents to attend private colleges and universities within the State. Funding for the program will be \$88.4 million once fully implemented, a 2% increase in funding for this aid program.

- **National Guard Tuition Assistance Program:** \$200,000 for the National Guard Tuition Assistance Program for active NC Guard members, a 10% funding increase.
- **Special Education Scholarships:** \$250,000 annually for scholarships for students with special needs to attend private schools, a 6% funding increase.

Policy and Tuition Modifications

- **Veterans Tuition:** The budget appropriates a total of \$11.3 million for UNC and NCCCS to meet the projected cost of granting certain non-resident veterans resident status for tuition purposes as required by the federal 2014 Veterans Access, Choice, and Accountability Act. S.L. 2015-116 eliminated the Yellow Ribbon Program, established in FY 2014-15 for a similar purpose, and made necessary statutory changes to allow eligible students to qualify for the resident tuition rate.
- **Community College Tuition:** The budget increases tuition by \$4.00 per credit hour beginning with the 2016 Spring Semester and makes an offsetting reduction of \$16.2 million in General Fund appropriations once fully implemented. The increase represents a 6% increase in per credit hour tuition for North Carolina resident students and a 2% increase for non-resident students.

Technical Adjustments

The General Assembly modified several appropriations in the 2015 Appropriations Act due to revised cost estimates, headcount projections, and fund-source shifts. These changes adjust program services to meet the requirements of a growing school population, reallocate fund sources, and reflect more recent information on actual costs.

Public Schools

- **Average Daily Membership (ADM):** The 2015 Appropriations Act increases allotment funding in FY 2015-16 and FY 2016-17 by \$100.2 million, accounting for 17,338 more K-12 students than in the 2014-15 school year. Total FY 2015-16 allotted public school membership



is 1,537,643. An additional \$107.0 million is provided in the Statewide Reserves section of the Appropriations Act for projected FY 2016-17 ADM growth.

- **Average Teacher Salary:** S.L. 2015-241 reduces allotment funding by \$14.8 million, reflecting the lower cost of guaranteed State-funded positions using updated December 2014 average salary data.
- **North Carolina Education Lottery:** Section 5.2 of the 2015 Appropriations Act reallocates Lottery receipts from the Classroom Teachers (\$254 million) and Teacher Assistants (\$113 million) allotments to the Noninstructional Support allotment. These allotments have received a mix of Lottery and General Fund support. The FY 2015-17 Lottery appropriations leave total funding unchanged for all three allotments and only change the mix of Lottery and General Fund support for each program.

Higher Education

The Appropriations Act adjusts the Community College System and UNC System budgets to reflect changes in enrollment, including:

- A \$6.5 million reduction to the Community College System budget to reflect a System-wide decline in full-time equivalent (FTE) enrollment.
- A \$49.3 million increase to the University of North Carolina System budget in FY 2015-16 to reflect a projected System-wide increase in FTE enrollment. The University System forecasts that it will require an additional \$31 million in FY 2016-17 for increased enrollment; this amount is appropriated in a reserve in the Statewide Reserves section of the Appropriations Act.

Compensation Increases

Public Schools

Part 9 of S.L. 2015-241 provides details on the salary-related provisions for State-funded LEA employees. The changes are also detailed in a companion fiscal brief publication for Salaries and Benefits.

Teachers and Instructional Support

The 2015 Appropriations Act appropriates over \$141 million for bonuses and salary increases for teachers and instructional support personnel (educators). Of this amount, \$62.2 million is for recurring salary increases resulting from four actions:

- Increasing starting educator pay from \$3,300 per month to \$3,500 per month for educators with a bachelor’s degree,
- Funding increases associated with movement between the salary schedule tiers due to increased employee experience. For example, a teacher moving from Tier 2 to Tier 3 (see table below) would receive a monthly salary increase of \$350,
- Continuing the hold harmless and bonus for educators subject to Section 9.1(e) of S.L. 2014-100. This section held harmless the salary of any educator that would otherwise have been disadvantaged by the FY 2014-15 salary schedule changes and provided these educators with a \$1,000 nonrecurring bonus,
- Funding a new sixth salary tier for school psychologists, audiologists, and speech pathologists.

The following table displays the FY 2015-16 teacher salary schedule as shown in Section 9.1(a):

FY 2015-16 “Bachelor’s” Teacher Salary Schedule

Tier	Years of Experience	Monthly Salary
1	0-4	\$3,500
2	5-9	\$3,650
3	10-14	\$4,000
4	15-19	\$4,350
5	20-24	\$4,650
6	25+	\$5,000

While an estimated 29,000 educators will receive a permanent raise from the increase in the first tier or moving to a new tier, all 94,000+ State-paid educators will receive a \$750 compensation bonus.



School-based Administrators (SBA)

Other than an adjustment to the first step of the Assistant Principal salary schedule to continue the \$809 bonus granted in S.L. 2014-100, section 9.11(i), the SBA salary schedules remain unchanged. Approximately \$4.5 million is appropriated to continue the FY 2014-15 bonus and provide experience-based step increases, and \$3.6 million is appropriated on a nonrecurring basis to fund a \$750 bonus for all SBAs.

Additionally, a series of related provisions in the Appropriations Act and General Government Technical Corrections (S.L. 2015-268) mandate that there will not be a decrease in pay for any teacher becoming a SBA.

Noncertified and Central Office Personnel

Non-certified and central office personnel do not receive salary increases under the 2015 Appropriations Act. However, State-funded permanent full-time non-certified and central office personnel receive a \$750 compensation bonus. \$39.8 million in nonrecurring appropriations are provided for this bonus. Bonuses are pro-rated for part-time permanent employees.

Higher Education

Community Colleges: The budget provides \$10 million in FY 2015-16 and \$20 million in FY 2016-17 for salary increases for local community college employees. Section 35.5 authorizes local community college boards of trustees to develop policies for the distribution of these funds to their employees based on guidelines set by the State Board of Community Colleges. \$15.1 million in additional funding is appropriated on a nonrecurring basis to fund a \$750 bonus for all State-funded local community college employees and System Office employees.

UNC System: The budget provides approximately \$27.2 million to fund a \$750 bonus for UNC employees. Additionally, \$58,980 is appropriated for the changes to the Statewide teacher salary schedule that affect NC School of Science and Math teachers within the UNC System.

Policy Changes

The General Assembly modified several significant public schools policies in the 2015 Appropriations Act:

Public Schools

- **Educator Preparation (Sec. 8.41):** This provision creates a new GPA requirement for students entering a North Carolina teacher preparation program. Beginning in FY 2017-18, the cohort in a teacher preparation program must have a 3.0 average GPA. Additionally, this provision establishes criteria for clinical partnerships and practice (student teaching).
- **Low-Performing Schools (Sec. 8A.4):** This section modifies the definitions for low-performing school and low-performing district. Low-performing schools will now be defined as schools receiving a school grade of D or F, and which also failed to exceed expected academic growth. A low-performing district is one in which the majority of district schools are low-performing. LEAs must develop improvement plans for low-performing schools or districts and must notify parents of the low-performing designation.
- **LEA Consolidation (Sec. 8A.5):** This provision authorizes the State Board of Education to consolidate county LEAs with a shared border. This provision does not permit the State Board to consolidate city LEAs with county LEAs.

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Actual and Certified Expenditures and Receipts by Agency

Public Schools

	Actual FY 2013-14	Actual FY 2014-15	Enacted FY 2015-16	Enacted FY 2016-17
Expenditures	9,826,190,626	10,245,871,100	12,718,847,989	12,647,946,284
Less: Receipts	2,058,512,652	2,198,666,168	4,202,078,692	4,228,501,663
Net General Fund Appropriations	\$7,767,677,974	\$8,047,204,932	\$8,516,769,297	\$8,419,444,621
Positions (FTE)	1,328.8	1,280.7	1,273.8	1,158.8

North Carolina Community College System

	Actual FY 2013-14	Actual FY 2014-15	Enacted FY 2015-16	Enacted FY 2016-17
Expenditures	1,440,356,392	1,458,163,442	1,490,949,520	1,495,847,438
Less: Receipts	424,395,744	415,908,777	421,882,522	429,951,918
Net General Fund Appropriations	\$1,015,960,648	\$1,042,254,665	\$1,069,066,998	\$1,065,895,520
Positions (FTE)	193.3	194.1	192.5	192.5

University of North Carolina

	Actual FY 2013-14	Actual FY 2014-15	Enacted FY 2015-16	Enacted FY 2016-17
Expenditures	4,275,146,894	4,354,969,838	4,442,165,873	4,378,911,222
Less: Receipts	1,702,389,653	1,737,265,893	1,695,603,295	1,695,603,295
Net General Fund Appropriations	\$2,572,757,241	\$2,617,703,945	\$2,746,562,578	\$2,683,307,927
Positions (FTE)	34,749.6	34,763.6	34,763.6	34,763.6

Legislative Changes in General Fund FTE, FY 2015-16¹

	Vacant	Filled	Receipts	New	Transfers	Net Change
Education						
Public Schools						
Community Colleges				7.0		7.0
UNC System						
Total Education	-	-	-	7.0		7.0

¹ LEA and community college staff are not included in position counts as they are not State employees.