



Education Subcommittee FY 2012-13 Budget Highlights

Fiscal Brief

October 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 Enacted Expenditures and Receipts¹

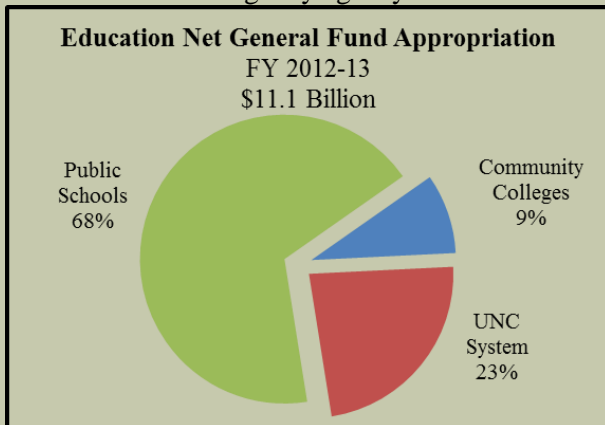
	<u>Actual FY 2009-10</u>	<u>Actual FY 2010-11</u>	<u>Actual FY 2011-12</u>	<u>Enacted FY 2012-13</u>
Expenditures	15,120,986,003	15,536,779,662	15,302,551,398	15,302,642,150
Less: Receipts	4,088,730,972	4,670,401,158	4,169,846,914	4,230,142,914
Net General Fund Appropriations	\$11,032,255,031	\$10,866,378,504	\$11,132,704,485	\$11,072,499,236
Positions (FTE)²	38,206.7	38,751.8	38,889.4	39,015.75

¹ System-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 2012-13 Net General Fund Appropriation for the Education Subcommittee Agencies is \$11.07 billion. This is an increase of 0.84% from the FY 2012-13 Certified Budget. The General Fund Appropriation funds 39,015.75 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. 2012-142, Modify 2011 Appropriations Act (H.B. 950), as amended by S.L. 2012-145, Modifications/2012 Appropriations Act (S.B. 187), appropriates \$11.07 billion for the State’s three education systems. Legislative adjustments to the FY 2012-13 budget for Education agencies increased spending by \$91.7 million. The Joint Conference Committee Report focused on:

- Restoring reductions, including providing funding to restore a portion of existing management flexibility cuts for all three Education systems,
- Providing other stabilization funding, and
- New initiatives and other policy changes.

This Fiscal Brief provides a summary of the adjusted FY 2012-13 budget for Education.

Restoring Reductions

Management Flexibility

As adopted in the 2011 Session, the FY 2012-13 budgets for all three agencies contained management flexibility reductions – budget cuts that the agencies were charged with allocating. The legislature appropriated additional funds for FY 2012-13 to each

of the three education systems to mitigate these scheduled reductions.

- North Carolina school districts (LEAs) have been subject to an LEA Adjustment, or management flexibility reduction, since FY 2009-10. The reduction requires LEAs to identify cuts from funding allotments, instead of the General Assembly making those decisions for districts. The LEA Adjustment was set to increase in FY 2012-13 by \$74.0 million from a total reduction of \$429.0 million to \$503.0 million. The legislature provided funding to prevent the \$74 million budgeted increase. Also, it provided an additional \$52.9 million in General Fund appropriations and an allocation of \$16.4 million in NC Lottery revenues to lower the total management flexibility reduction to \$359.7 million.
- The NC Community College System's management flexibility reduction was set to increase by \$7.8 million in FY 2012-13 to a total of \$87.5 million. The legislature restored \$4.3 million, for a revised reduction in FY 2012-13 of \$83.2 million.
- The UNC System's \$414.0 million management flexibility reduction was scheduled to increase by \$9.2 million to \$423.2 million for FY 2012-13. The legislature provided funds to restore the full \$9.2 million, holding the reduction at \$414.0 million for the second year of the biennium. It also directed by special provision (S.L. 2012-145, Sec. 9.14) that \$1 million of the re-appropriated funds be allocated to each of three campuses: UNC School of the Arts, UNC Asheville, and the North Carolina School of Science and Mathematics.

Program Restorations

- The FY 2011-13 biennial budget required the Department of Public Instruction (DPI) to close permanently one of the State's three Residential Schools for the Deaf and the Blind, starting with the 2012-13 school year. Accordingly, \$5.5 million was reduced in that budget for the anticipated closure. However, the FY 2012-13 budget eliminated the closure requirement, reinstated \$4.7 million of the funding, and allowed DPI to retain any

receipts from leasing space at the residential school campuses.

- The FY 2011-13 biennial budget eliminated State support for the Governor's Schools, a residential summer enrichment program for promising high school students. However, the FY 2012-13 budget overrode that decision and provided \$800,000 recurring for the schools, restoring nearly all of the funding.
- The FY 2011-13 biennial budget placed the University of North Carolina Center for Public Television (UNC-TV) under Continuation Review (CR); when a program is placed under CR, the General Assembly eliminates its recurring funding and provides one year of nonrecurring funding. The FY 2012-13 budget restored all but \$750,000 of UNC-TV's \$10.6 million General Fund budget.

Other Stabilization

Building Reserves

The FY 2012-13 budget includes \$6.8 million recurring and \$2.6 million nonrecurring to fund the overhead operating costs associated with new or renovated UNC buildings that will be completed in FY 2012-13. Specifically, these "building reserves" are for the housekeeping, maintenance, and security requirements for the added building square footage.

Financial Aid

The FY 2012-13 budget includes an additional \$29.7 million in nonrecurring funds for need-based financial aid programs. Of these funds:

- A net of \$25.2 million from FY 2011-12 Lottery overages was appropriated for the UNC Need-based Financial Aid Program, for students attending UNC System schools.
- \$4.5 million in General Fund dollars was appropriated for the NC Need-based Scholarship, for students attending private institutions of higher education.

New Initiatives / Other Policy Changes

Education Reform

The Public Schools budget appropriated \$27 million to the State Board of Education (SBE) to implement elements of the Excellent Public Schools Act. The Act comprises six initiatives:

1. **The North Carolina Read to Achieve Program**, which makes numerous changes regarding K-3 literacy policy effective with the 2013-14 school year, including an end to social promotion for 3rd graders.
2. **School Performance Grades**, requiring the SBE to assign "A-F" grades to schools based on performance.
3. **Funding for Five Additional Instructional Days** to account for the cost of additional instructional days required in the 2012-13 school year that have not otherwise been waived by the SBE.
4. **The North Carolina Teacher Corps**, a program that will recruit and place recent graduates of colleges and universities and mid-career professionals as teachers in high-needs public schools.
5. **Pay for Excellence**, seeking input from LEAs on potential options for developing a performance pay system.
6. **Adjustments to School Calendar Start and End Dates** that provide flexibility to required school instructional time and adjust the school calendar start and end dates (added by S.L. 2012-145, Modifications/2012 Appropriations Act).

NC Back-to-Work

The budget appropriated \$5 million nonrecurring to NCCCS for the NC Back-to-Work program. This new retraining program is designed to prepare North Carolinians facing long-term unemployment for new careers. It will provide students with job training, employability skills, and industry-recognized third-party credentials. Up to 10 participating colleges will be selected by the State Board of Community Colleges, upon the joint recommendation of the Department of Commerce and the Community Colleges System Office.

Increased Operating Authority for the UNC System

The budget also granted additional operating authority and flexibility to the UNC System, continuing similar efforts that began in S.L. 2011-145, Appropriations Act of 2011. Statutory changes allow the System to:

- Budget all student fees in Institutional Trust Funds, rather than the General Fund (S.L. 2012-142, Sec. 9.9);
- Lease out property for up to 10 years without seeking permission of the Department of

Administration until June 2015 (S.L. 2012-142, Section 9.10); and

- Purchase commercial liability insurance to cover risks and liabilities of staff related to benefit plan investments managed by the University (S.L. 2012-142, Sec. 9.15).

Technical Adjustments

Public Schools Funding Adjustments

Modifications were made due to revised cost estimates for the following items. These changes reduce neither program services nor the number of funded positions:

- **Average Daily Membership (ADM):** \$6.4 million reduction, reflecting 2,084 fewer students than previously projected for the 2012-13 school year.
- **Average Teacher Salary:** \$85.7 million reduction, reflecting the lower cost of guaranteed State-funded positions using updated December 2011 average salary data.

Community College Enrollment Funds

Due to an estimated decline in community college enrollment, a net General Fund reduction of \$12.1 million to enrollment funding was included in the FY 2012-13 budget. This \$12.1 million was re-appropriated elsewhere in the NCCCS budget, funding:

- The management flexibility restoration,
- Enhanced math instruction,
- The elimination of a scheduled fee increase, and
- An increase to the funding formula for multi-campus colleges.

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Education

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Actual and Certified Expenditures and Receipts by Agency

Public Schools

	Actual FY 2009-10	Actual FY 2010-11	Actual FY 2011-12	Enacted FY 2012-13
Expenditures	9,774,332,053	9,880,005,712	9,811,730,350	9,917,654,458
Less: Receipts	2,287,773,128	2,618,246,848	2,232,043,008	2,411,101,391
Net General Fund Appropriations	\$7,486,558,925	\$7,261,758,864	\$7,579,687,341	\$7,506,553,067
Positions (FTE)	791.3	1,343.2	1,205.4	1,216.4

North Carolina Community College System

	Actual FY 2009-10	Actual FY 2010-11	Actual FY 2011-12	Enacted FY 2012-13
Expenditures	1,283,622,533	1,414,755,409	1,408,984,454	1,406,435,647
Less: Receipts	338,323,666	400,946,028	406,902,845	416,270,647
Net General Fund Appropriations	\$945,298,867	\$1,013,809,381	\$1,002,081,608	\$990,165,000
Positions (FTE)	218.0	210.0	191.0	191.0

University of North Carolina

	Actual FY 2009-10	Actual FY 2010-11	Actual FY 2011-12	Enacted FY 2012-13
Expenditures	4,063,031,417	4,242,018,541	4,081,836,595	3,978,552,045
Less: Receipts	1,462,634,178	1,651,208,282	1,530,901,060	1,402,770,876
Net General Fund Appropriations	\$2,600,397,239	\$2,590,810,259	\$2,550,935,536	\$2,575,781,169
Positions (FTE)	37,197.5	37,198.6	37,493.0	37,608.3

Change in FTE, FY 2012-13¹

	Vacant	Filled	Receipts	New	Transfers	Net Change
Education						
Public Schools ²		-	-	11.0	-	11.0
Community Colleges		-	-	-	-	-
UNC System		-	-	231.4	-	231.4
Total Education	-	-	-	242.4	-	242.4

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 Authority to add the 11 additional DPI positions for implementing the Excellent Public Schools Act provisions was provided by S.L. 2012-145, Modifications/2012 Appropriations Act.