



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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Allotment-Specific and System-Level Issues Adversely Affect North Carolina's Distribution of K-12 Resources

Summary

As directed by the Joint Legislative Program Evaluation Oversight Committee, this report examines the State's system for allotting resources to Local Education Agencies (LEAs) and charter schools for the operation of K-12 public schools.

The State currently uses a resource allocation model as the basis for its allotment system. Each of 37 different state allotments reflects a component of the education delivery model. For example, there are separate allotments for classroom teachers, textbooks, administration, and transportation. In Fiscal Year 2014–15 the Department of Public Instruction (DPI) distributed \$8.4 billion in state funds to LEAs and charter schools through the allotment system.

This report contains 12 findings that are grouped into 2 sections:

Section I: Allotment-specific issues. This section identifies the following issues:

- The structure of the Classroom Teacher allotment results in a distribution of resources across LEAs that favors wealthy counties.
- The allotment for children with disabilities fails to observe student population differences and contains policies—intended to limit overidentification—that direct disproportionately fewer resources to LEAs with more students to serve.
- The allotment for students with limited English proficiency lacks rationale and fails to observe economies of scale, resulting in illogical and uneven funding.
- Small county funding is duplicated and unsubstantiated.
- Low wealth funding is overly complex and could be improved to more precisely reflect a county's ability to generate local revenue.
- Hold-harmless policies result in a maldistribution of resources for disadvantaged students.

Section II: System-level issues. This section identifies issues related to the allotment system as a whole. North Carolina's allotment system is overly complex and has limited transparency. These issues are exacerbated by a patchwork of laws and documented policies and procedures that seek to explain the system. Funding charter schools currently relies on translating LEA allotments to a per-pupil approach that is challenged by the inapplicability of some district allotments to charter schools and the way ADM is calculated for charter schools. Other models for distributing resources offer alternatives that merit consideration.

Based on these findings, the General Assembly should either:

- 1) overhaul the system for how resources are distributed by using a weighted student funding model, or
- 2) reform the current allotment system by addressing individual allotment deficiencies and providing direction to improve transparency and accountability.