

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

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A presentation to the Joint Legislative  
Program Evaluation Oversight Committee

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# Our Charge

- Directive: Examine the formulas the State uses to allocate resources to Local Education Agencies (LEAs) and charter schools for the operation of K-12 public schools
- Agencies: Department of Public Instruction (DPI)
- Team: Sean Hamel, Jeff Grimes, Emily McCartha

Report p. 2



# Twelve Findings Across Two Sections

## Section I: Allotment-specific issues

- Findings 1 through 7
- Issues with individual allotments or issues that span numerous allotments

## Section II: System-level issues

- Findings 8 through 12
- System-level issues identify deficiencies within the allotment system as a whole

Report p. 13



# Overview: Section One Findings

1. The structure of the Classroom Teacher allotment results in a distribution that favors wealthy counties
2. The allotment for children with disabilities fails to observe student population differences and directs disproportionately fewer resources to LEAs with more students to serve
3. The allotment for students with limited English proficiency lacks rationale, which results in illogical and uneven funding
4. Small county funding is duplicative and unsubstantiated



# Overview: Section One Findings

5. Low wealth funding is overly complex and could be modified to better reflect a county's ability to generate local revenue
6. Resources for disadvantaged students are disproportionately distributed
7. Funds for central office administration are disconnected from changes in student membership, creating an imbalance in funding



# Overview: Section Two Findings

8. The allotment system is overly complex and has limited transparency
9. The system is guided by a patchwork of laws and documented policies and procedures that fail to sufficiently explain the system
10. System features intended to promote LEA flexibility blur accountability
11. Translating LEA allotments to fund charter schools creates several challenges
12. Other models for distributing resources offer alternatives that merit consideration



# Overview: Recommendations

The General Assembly should choose between

1. Overhauling the allotment system by transitioning to a student-based model
- or
2. Reforming and modifying the current system





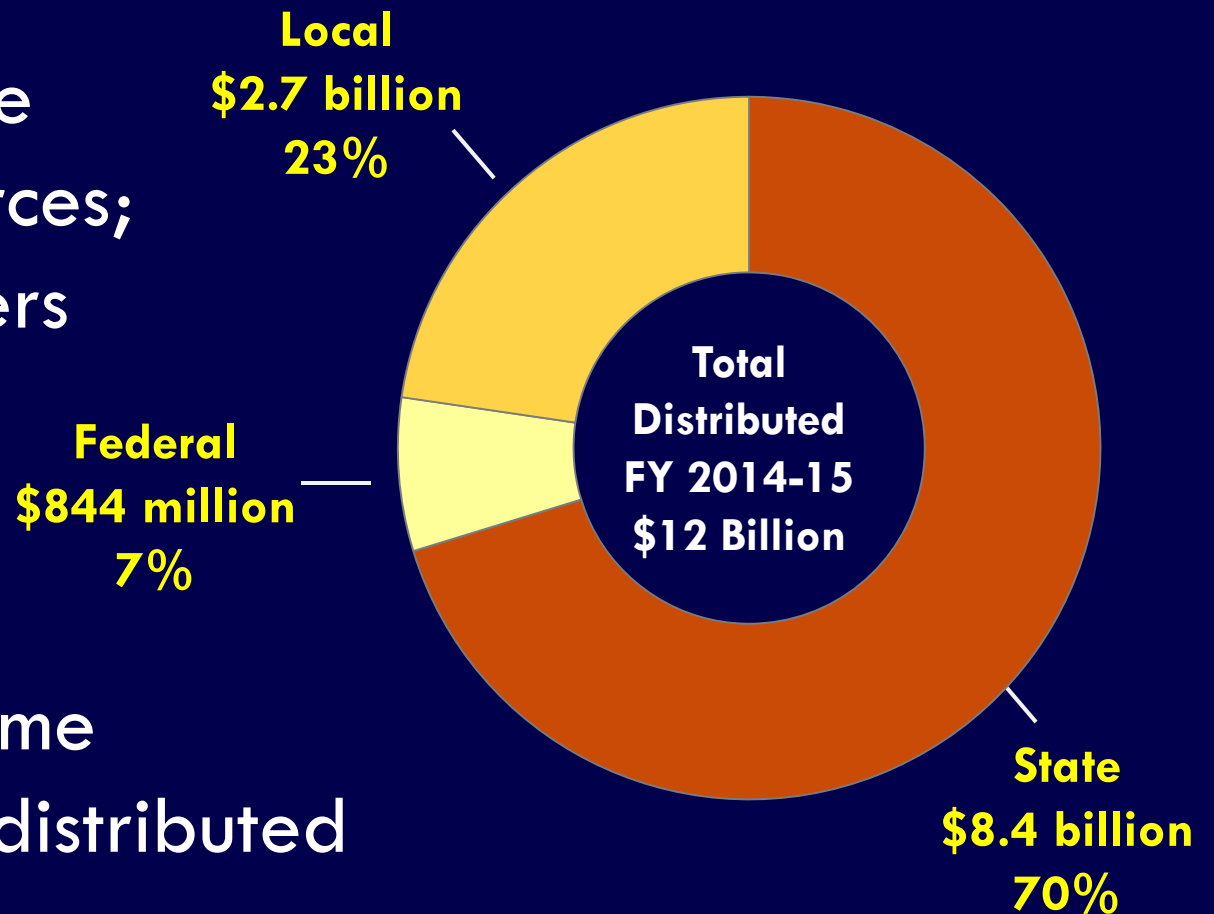
# Background



# Funding for the K-12 Public School System Totalled \$12 Billion in FY 2014-15

DPI distributes state  
and federal resources;  
county commissioners  
distribute local  
funds

State funds and some  
federal funds are distributed  
through allotments



Report p. 4



# Allotments

- A specific amount of resources, determined using a formula or rules, allocated by the State to an LEA or charter school to implement components of the state education curriculum
- Distributed to Local Education Agencies (LEAs) and charter schools
- Allotments do not determine the amount of resources needed

Report pp. 5-6



# North Carolina Allotment System is Based on a Resource Allocation Model

- Resource allocation model
  - Identifies the components necessary for providing a local public education system and then provides resources for each component
  - Each allotment represents a distinct category of resources distributed to eligible LEAs and charter schools to operate public schools
  - “Top-down”
- North Carolina is in a minority of states that use the resource allocation model

Report p. 5



# 37 Different Allotments


**\$8.4 Billion Allotted  
in 2014-2015**

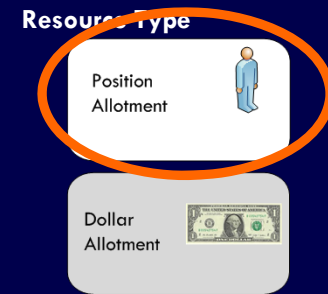
4 types

- Base: 82%
- Grant: 1%
- Student Characteristics: 14%
- LEA Characteristics: 3%

Two types of  
resources

- Positions
- Dollars

Base Allotments	Grant/Application	Student Characteristics	LEA Characteristics		
Base allotments are used to procure the materials, staffing, contracts, and services meant to support all students and district-wide activities.	Provide funding in various categories. Require an application and selection process.	Provide funding to LEAs for populations of students with certain characteristics	Provide funding to LEAs based on district size or wealth		
<p><b>PRC: 001</b>  Classroom Teachers No. LEA Received: 115</p> <p><b>PRC: 002</b>  Central Administration No. LEA Received: 115</p> <p><b>PRC: 003</b>  Non-instructional Support No. LEA Received: 115</p> <p><b>PRC: 005</b>  School Building Administration No. LEA Received: 115</p> <p><b>PRC: 007</b>  Instructional Support No. LEA Received: 115</p> <p><b>PRC: 012</b>  Drivers Training No. LEA Received: 115</p> <p><b>PRC: 013</b>  Career &amp; Tech Ed (Employment) No. LEA Received: 115</p> <p><b>PRC: 014</b>  Career &amp; Tech Ed (Program Support) No. LEA Received: 115</p> <p><b>PRC: 015</b>  School Technology Fund No. LEA Received: 115</p> <p><b>PRC: 016</b>  Summer Reading Camps No. LEA Received: 115</p>	<p><b>PRC: 025</b>  Indian Gaming Fund No. LEA Received: 32</p> <p><b>PRC: 027</b>  Teachers Assistants No. LEA Received: 115</p> <p><b>PRC: 034</b>  Academically &amp; Intellectually Gifted No. LEA Received: 115</p> <p><b>PRC: 036</b>  Charter Schools No. Received: 149</p> <p><b>PRC: 056</b>  Transportation No. LEA Received: 115</p> <p><b>PRC: 061</b>  Classroom Materials &amp; Instructional Supplies No. LEA Received: 115</p> <p><b>PRC: 073</b>  School Connectivity No. LEA Received: 115</p> <p><b>PRC: 085</b>  mClass Reading 3D No. LEA Received: 78</p> <p><b>PRC: 120</b>  LEA Financed Purchase of School Buses No. LEA Received: 94</p> <p><b>PRC: 130</b>  Textbooks No. LEA Received: 115</p>	<p><b>PRC: 029</b>  Behavioral Support No. LEA Received: 114</p> <p><b>PRC: 030</b>  Digital Learning No. LEA Received: 47</p> <p><b>PRC: 039</b>  School Resource Officer No. LEA Received: 52</p> <p><b>PRC: 040</b>  After School Quality Improvement Grant No. LEA Received: 15</p> <p><b>PRC: 041</b>  Panic Alarms Improvement Grant No. LEA Received: 63</p>	<p><b>PRC: 043</b>  Child &amp; Family Support Teams: Social Workers No. LEA Received: 21</p> <p><b>PRC: 044</b>  Learn and Earn No. LEA Received: 64</p> <p><b>PRC: 066</b>  Assistant Principal Interns: Principal Fellows No. LEA Received: 20</p> <p><b>PRC: 067</b>  Assistant Principal Interns: MSA Students No. LEA Received: 16</p> <p><b>PRC: 042</b>  Child and Family Support Teams: Nurses No. LEA Received: 21</p>	<p><b>PRC: 024</b>  Disadvantaged Student Supplemental Funding No. LEA Received: 115</p> <p><b>PRC: 032</b>  Children w/ Special Needs No. LEA Received: 115</p> <p><b>PRC: 054</b>  Limited English Proficiency No. LEA Received: 101</p> <p><b>PRC: 069</b>  At Risk Student Services/ Alternative Schools No. LEA Received: 115</p> <p><b>PRC: 063</b>  Children with Special Needs: Special Funds No. LEA Received: 87</p>	<p><b>PRC: 019</b>  Small County Supplemental Funding No. LEA Received: 27</p> <p><b>PRC: 031</b>  Low Wealth No. LEA Received: 78</p>

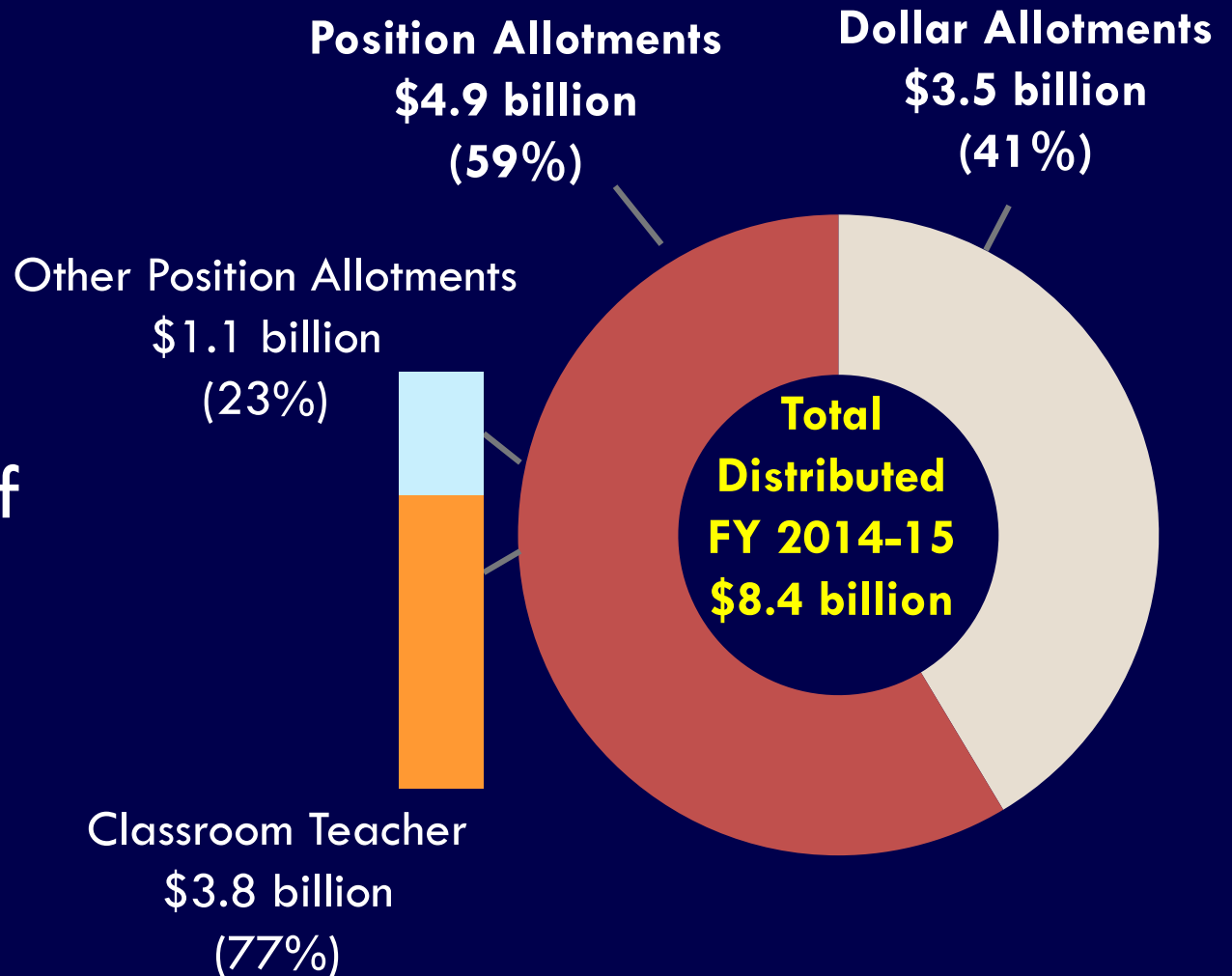


Report pp. 6-8



# Distribution of Positions and Dollars

Position allotments account for nearly 60% of resources distributed in FY 2014–15

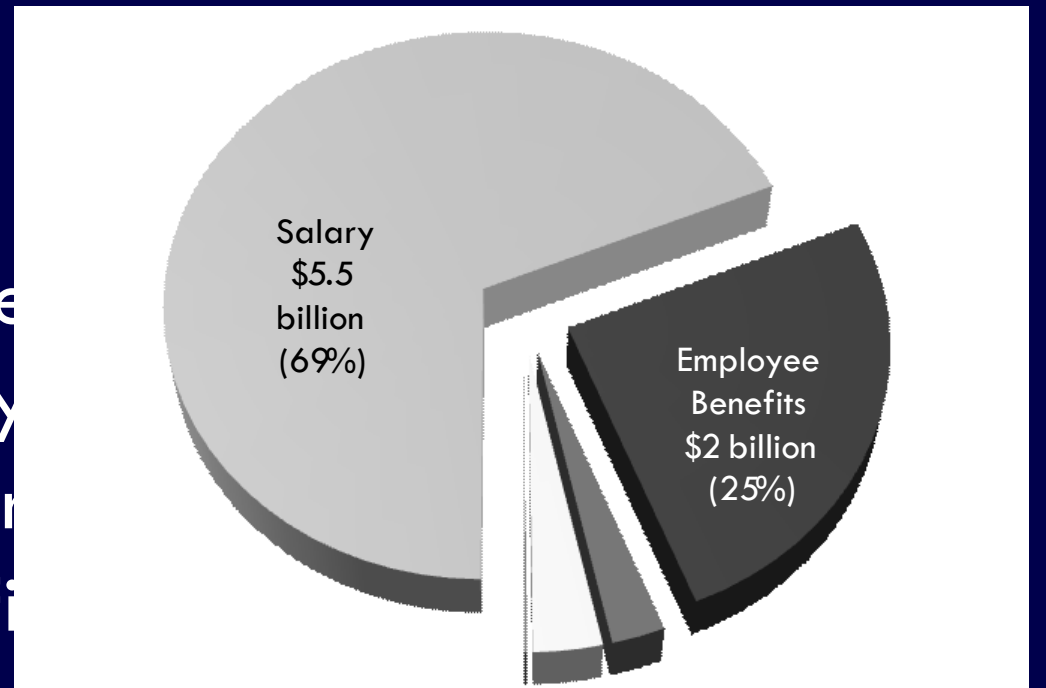


Report p. 7



# Allotment ≠ Expenditures

Although there are multiple allotments, the overwhelming majority of actual expenditures are on salaries and benefits.



**Total LEA State Expenditures  
FY 2014-15  
\$8 billion**



Report p. 11



# Allotment Process

## Initial Allotments

DPI first distributes funding to LEAs in **19 PRCs**  
**\$7.7 billion**  
**FY 2014-15**  
 (92% of all allotted resources)

<b>PRC: 001</b> Classroom Teachers \$3,868,846,015	<b>PRC: 032</b> Children w Special Needs \$716,185,033	<b>PRC: 007</b> Instructional Support \$441,688,552	<b>PRC: 013</b> Career & Tech Education \$412,689,428	<b>PRC: 027</b> Teacher Assistants \$357,681,307	<b>PRC: 003</b> Non-Instructional Support \$349,746,369	<b>PRC: 056</b> Transportation \$328,542,677
<b>PRC: 005</b> Building Administration \$299,225,440	<b>PRC: 069</b> At-Risk Student Services \$278,130,136	<b>PRC: 031</b> Low Wealth Supplement \$199,750,853	<b>PRC: 002</b> Central Administration \$93,216,875	<b>PRC: 024</b> Disadvantaged Students \$80,275,421	<b>PRC: 054</b> Limited English Proficiency \$76,313,509	<b>PRC: 034</b> Academically Gifted \$74,593,189
<b>PRC: 019</b> Small County Supplement \$42,396,749	<b>PRC: 061</b> Classroom Materials \$41,973,340	<b>PRC: 012</b> Drivers Training \$26,307,358	<b>PRC: 130</b> Textbooks \$21,631,048	<b>PRC: 014</b> Career & Tech Ed \$20,016,175		

**Other State Allotments**  
**\$672 million**  
 8% of state resources

<b>PRC: 036</b> Charter Schools \$369,947,769	<b>PRC: 039</b> School Resource Officer \$6,660,251
<b>PRC: 015</b> School Technology Fund \$35,726,800	<b>PRC: 030</b> Digital Learning \$683,283
<b>PRC: 016</b> Summer Reading Camps \$25,051,779	<b>PRC: 025</b> Indian Gaming Fund \$460,396
<b>PRC: 055</b> Learn and Earn \$24,765,499	<b>PRC: 042</b> Support Teams: Nurses \$3,966,107
<b>PRC: 073</b> School Connectivity \$9,499,970	<b>PRC: 043</b> Support: Social Workers \$6,085,433
<b>PRC: 029</b> Behavioral Support \$11,104,530	<b>PRC: 066</b> Assistant Principal Fellow \$544,236
<b>PRC: 120</b> Purchase School Buses \$42,226,120	<b>PRC: 067</b> Assistant Principal Interns \$2,348,856
<b>PRC: 063</b> Children w Special Needs \$26,745,329	<b>PRC: 040</b> After School Grant \$4,784,539
<b>PRC: 085</b> mClass Reading 3D \$348,400	<b>PRC: 096</b> Special Position \$746,338
<b>PRC: 041</b> Panic Alarms Grant \$664,908	<b>PRC: 095</b> Special Dollar Allotment \$424,483

## Allotment Revisions

After distributing the initial 19 allotments, DPI allocates the remaining 8% of state funds and all federal funds through the revision process. The original 19 allotments are also adjusted for other purposes.

- Revisions do the following: 1) Add or subtract funds from the initial allotments 2) Allocate funding for the 31 federal PRCs 3) Allocate funding for the remaining 19 state PRCs that are not part of the initial 19 PRCs
- 50 revisions took place during the FY 2014-15 with as many as 6 revisions occurring per month
- \$1.6 Billion = Total Amount of Revisions in FY 2014-15
- Examples of the main revisions that occur include the following: New and Growing Charter School Adjustments; ABC Transfers (legislated ability to move money between some PRCs); Carry-Over; Funding for other state allotments

**Federal Allotments**  
**\$844 million**

- 31 PRCs distributed Federal funds
- 6 PRC's - based on **Title I** funding. Provides financial assistance to local educational agencies (LEAs) & schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards.
- 7 PRC's - based on **Title VI** funding. The Disabilities Education Act (IDEA) distributes federal special education funds through three state grant programs & several discretionary grant programs. Part B authorizes grants to state and local education agencies to offset part of the costs of the K-12 education needs of children with disabilities; it also authorizes preschool state grants.
- 20 remaining PRCs account for 14% of federal allotments
- Distribution determined by Federal Government

## Post Revisions Initial Allotments

<b>PRC 001</b> Revision: \$3,797,492,793 Difference: -\$71,353,276	<b>PRC 032</b> Revision: \$712,956,438 Difference: -\$3,228,595	<b>PRC 007</b> Revision: \$440,030,434 Difference: -\$1,658,118	<b>PRC 013</b> Revision: \$380,078,344 Difference: -\$32,611,138	<b>PRC 027</b> Revision: \$311,643,698 Difference: -\$46,037,609	<b>PRC 003</b> Revision: \$380,141,606 Difference: \$30,395,237	<b>PRC 056</b> Revision: \$434,378,133 Difference: \$105,835,456	<b>PRC 005</b> Revision: \$300,507,408 Difference: \$1,281,968	<b>PRC 069</b> Revision: \$289,705,544 Difference: \$11,575,408	
<b>PRC 031</b> Revision: \$224,699,094 Difference: \$24,948,241	<b>PRC 002</b> Revision: \$92,963,003 Difference: -\$253,872	<b>PRC 024</b> Revision: \$71,615,257 Difference: -\$8,660,164	<b>PRC 054</b> Revision: \$57,605,840 Difference: \$76,313,509	<b>PRC 034</b> Revision: \$40,514,886 Difference: -\$34,078,303	<b>PRC 019</b> Revision: \$44,464,969 Difference: \$2,068,220	<b>PRC 061</b> Revision: \$57,397,873 Difference: \$15,424,533	<b>PRC 012</b> Revision: \$26,307,354 Difference: -\$4	<b>PRC 130</b> Revision: \$663,922 Difference: -\$20,967,126	<b>PRC 014</b> Revision: \$37,080,366 Difference: \$17,064,191





# Findings



# Section I: Allotment-specific issues



# Finding 1

**The structure of the Classroom Teacher allotment results in a distribution of resources across LEAs that favors wealthy counties**

Report p. 14



# Classroom Teacher Allotment

- Teachers remain one of the most influential determinants of student performance
- Single largest allotment
  - ✓ \$3.8 billion distributed through 66,009 positions in FY 2014–15
  - ✓ 45% of state funds allotted to LEAs
- Position allotment
  - ✓ Months of employment LEAs charge the State
  - ✓ State pays entire state salary & benefits

**Resources follow the teachers**

Report p. 14



# Salary Schedule Determines the Amount Allotted to LEAs

## 3 Factors Influence Resources Allotted to LEAs

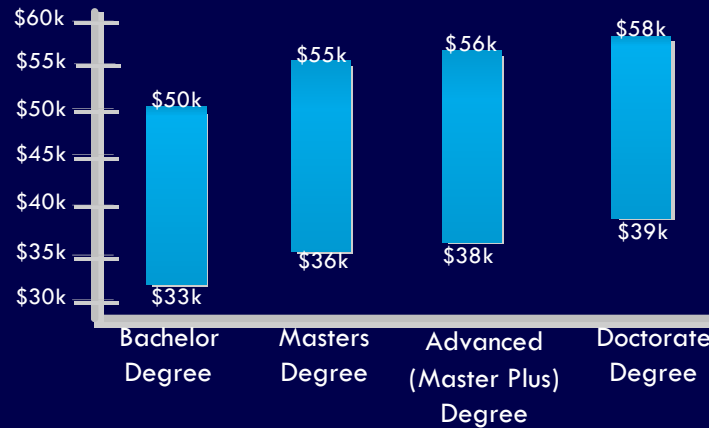
### Experience

Teacher pay is commensurate with teaching experience



### Education

A teachers' level of education affects earnings



### Credentials

Teachers with National Board Certification earn more than teachers without certification



### National Board Certified Teacher

Licensed teachers who have National Board for Professional Teaching Standards Certification earn a salary supplement of 12% of their monthly salary on the "A" salary schedule

LEAs with more experienced, educated, and credentialed teachers receive more funding

Report p. 15



# High Quality Teachers are Not Evenly Distributed

- Teacher sorting
  - Teachers express a preference in where they teach
  - Preferences are influenced by factors such as pay, working conditions, and student characteristics
- Results of teacher sorting
  - More experienced and qualified teachers are more concentrated in wealthy districts
  - DPI affirm this conclusion in the *State Plan to Ensure Equitable Access to Excellent Educators (2014)*



# Structure of the Classroom Teacher Allotment Results in More Funding for Wealthier LEAs

- As LEA wealth increases, the amount an LEA receives per student through the Classroom Teacher allotment increases
- Supplements for teacher pay do not mitigate relationship between the amount allotted and wealth

**The allotment does not cause teacher sorting, but the structure of the allotment results in more resources going to wealthier LEAs**



## Finding 2

**The Children with Disabilities allotment fails to differentiate based on the instructional arrangements or setting required and contains a funding cap that results in disproportionately fewer resources going to LEAs with the most students to serve**

Report p. 21





# Children with Disabilities Allotment

- N.C. Gen. Stat. § 115C-106 establishes state commitment to all children with disabilities
- \$716 million allotted to LEAs in FY 2014–15
  - Second largest allotment
  - Preschool: Base plus \$3,117 per qualified child
  - School Aged: \$3,927 per qualified child up to 12.5% of average daily membership (ADM)

Report p. 21



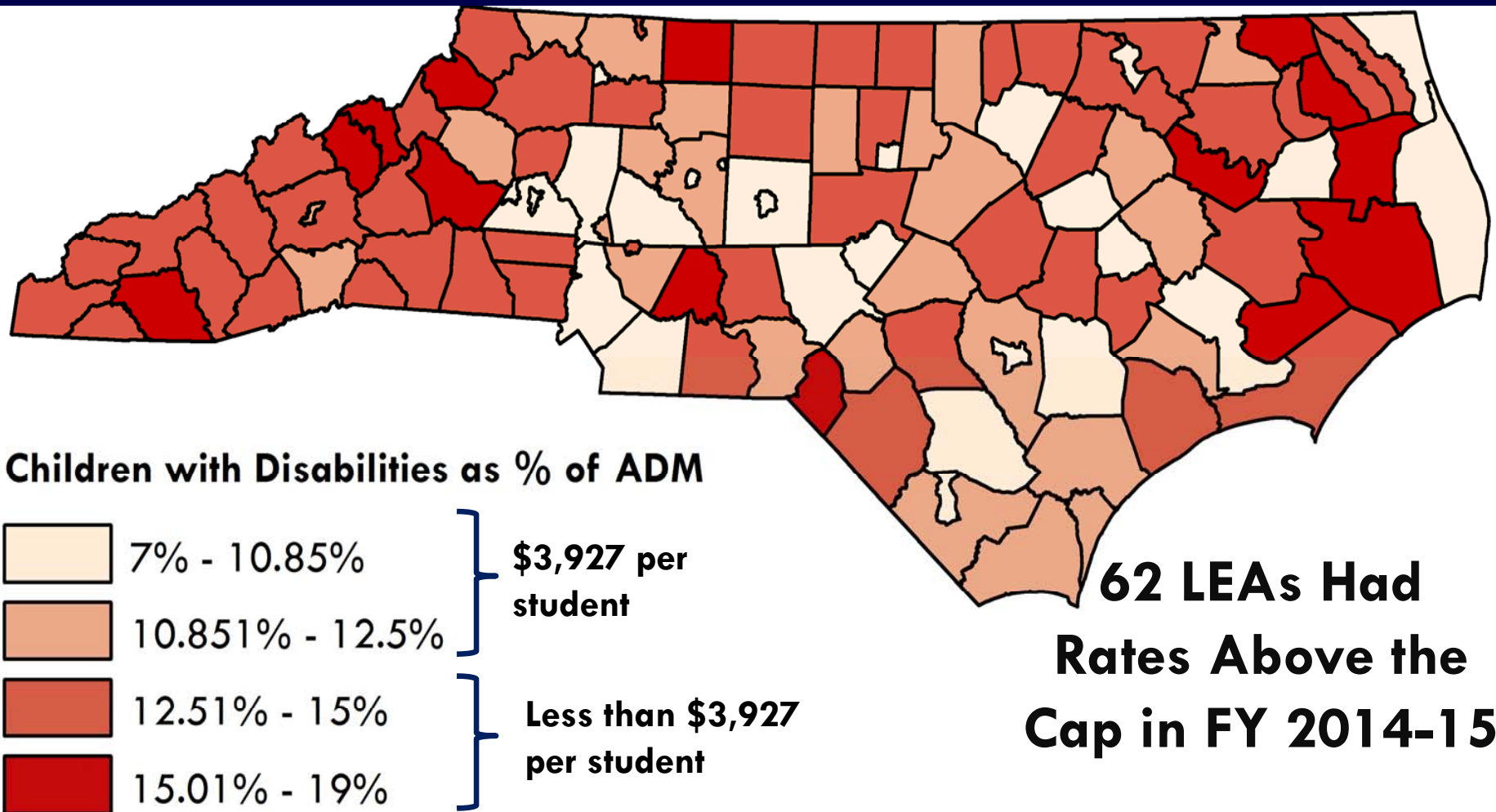
# Funding Fails to Observe Differences Among Students with Disabilities

- Children with disabilities are defined across a spectrum of disorders
  - Severity can vary
  - Service setting can vary
- Students are funded at a flat rate that does not distinguish severity or setting

Report p. 21



# Children with Disabilities Are Not Uniformly Distributed Across the State



# The 12.5% Cap Ensures LEAs with the Most Students to Serve Receive Fewer Resources

- Funding caps are generally put in place to try and prevent the overidentification of students
- LEAs with rates above the cap receive less per student

**Maximum Per  
Head Count**

**\$4,302**

**Minimum Per  
Head Count**

**\$2,780**

Report pp. 24-25



## Finding 3

The allotment for Limited English Proficiency (LEP) students contradicts the principles of economies of scale and contains a minimum funding threshold that results in some LEAs serving LEP students without funding

Report p. 26



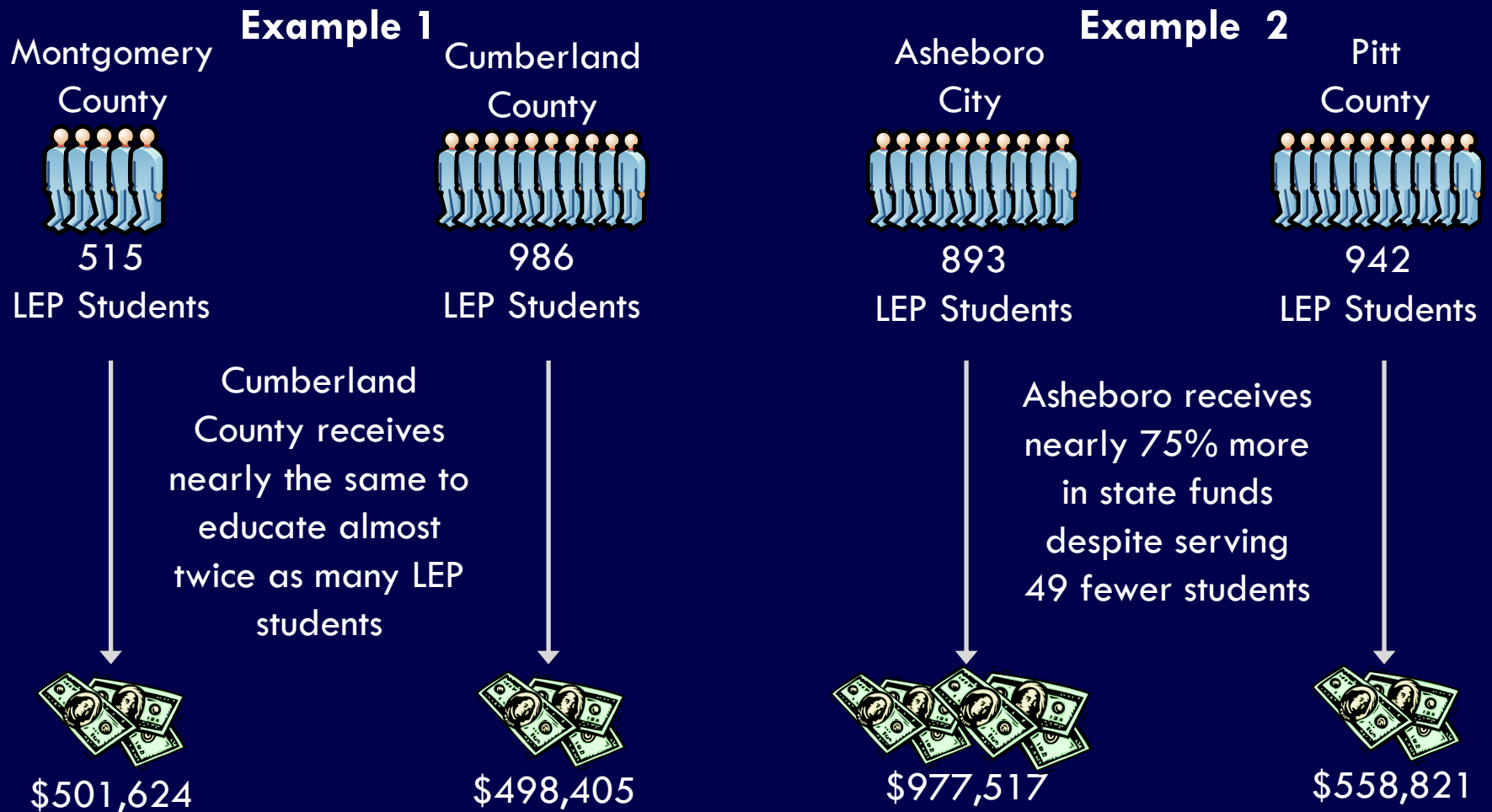
# Funds for LEP Students

- Fiscal Year 2014–15: \$77.6 million distributed across 109 LEAs and 21 charter schools
- LEA/charter school with at least 20 LEP students, or at least 2.5% of ADM
- Funding for LEP Students:
  - Base (equivalent of one teacher assistant)
  - Remaining funds
    - 50% based on headcount
    - 50% based on concentration

Report p. 26



# The Concentration Factor Results in Funding Disparities Across Districts



# Minimum Funding Threshold Leaves Many LEAs Unfunded for LEP Students

- LEA/charter school must have at least 20 LEP students, or at least 2.5% of ADM
- In Fiscal Year 2014–15, 6 city and county LEAs and 71 charter schools had LEP students, but did not meet threshold
- 332 LEP students served without funding

Report p. 28





## Finding 4

The allotment for small counties is duplicative and is not tied to evidence regarding costs of operating small districts

Report p. 29



# Small County Supplemental Funding

- In FY 2014-15, 27 LEAs with less than 3,200 ADM received \$42 million in additional funding to cover the cost of the inefficiencies resulting from administering smaller districts
- Totals distributed to each LEA ranged from \$1.5 to \$1.8 million

Report p. 29



# Funding for Small Counties is Unsubstantiated by Formal Cost Analysis

As LEA size increases,  
Small County  
Supplemental Funding  
declines

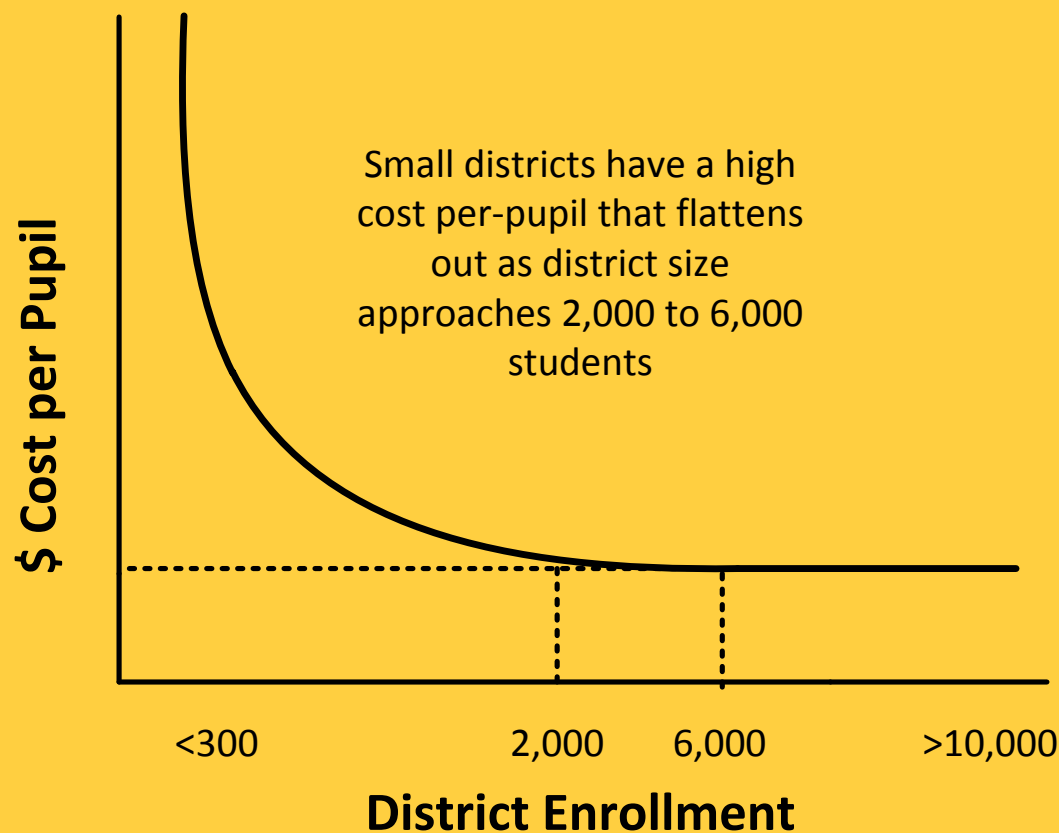
ADM <	Amount Allotted to LEAs
600	\$1,710,000
1,300	\$1,820,000
1,700	\$1,548,700
2,000	\$1,600,000
2,300	\$1,560,000
2,600	\$1,470,000
2,800	\$1,498,000
3,200	\$1,548,000

**Amounts Allotted are Established in Legislation  
and Not Through Formal Cost Analysis**

Report p. 29



# Cost Per Student Declines and Flattens Out as Districts Reach 2,000 Students



Source: Adapted from Baker, B. D. (2005). The emerging shape of educational adequacy: From theoretical assumptions to empirical evidence. *Journal of Education Finance*, 30(3), 277-305

Most states with small county funding set a threshold below 2,000 students

Report pp. 31-32



# Small County Supplemental Funding is Duplicative

**Allotments with base funding disproportionately  
benefit smaller LEAs**

Five other allotments provide base funding

- At risk
- Central Office Administration
- Classroom Teacher
- Career and Technical Education – Positions
- Career and Technical Education – Dollars

Report p. 31



## Finding 5

The Low Wealth allotment formula does not rely on the most precise means of calculating an LEA's ability to generate local funding

Report p. 32



# Low Wealth Supplemental Funding

- Provides supplemental funding to counties that do not have the ability to generate sufficient local revenue on their own to support public education
- In 2014–15, 78 LEAs received a combined \$200 million in Low Wealth Supplemental funding
- Factors that determine funding
  - 40% is based on the anticipated total county revenue
  - 10% is based on the adjusted property tax base per square mile; and
  - 50% is based on the county's average per capita income

Report pp. 32-33



# Adjusted Property Tax Base per Square Mile Inaccurately Assesses a County's Ability to Generate Revenue for Education

**Hyde Co**  
\$1.8 million adjusted  
property tax base per  
square mile

**Hyde appears  
less wealthy than  
Gaston**

**Gaston Co**  
\$40.2 million adjusted  
property tax base per  
square mile

$$\begin{array}{r}
 \div \\
 \text{1 student/square} \\
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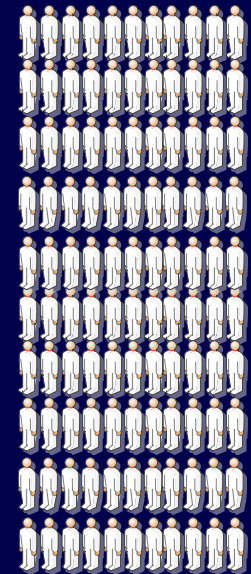
**Does not account  
for the number of  
students/square  
mile to educate**

$$\begin{array}{r}
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 95 \text{ students/square} \\
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\$1,822,000  
adjusted property  
tax base/student

>

\$424,000  
adjusted property tax  
base/student



**Reality: Hyde has four times the property tax base  
per student as Gaston**

Report p. 34





# Finding 6

The allotment for disadvantaged students provides disproportionate funding across LEAs

Report p. 36



# Disadvantaged Student Supplemental Funding (DSSF)

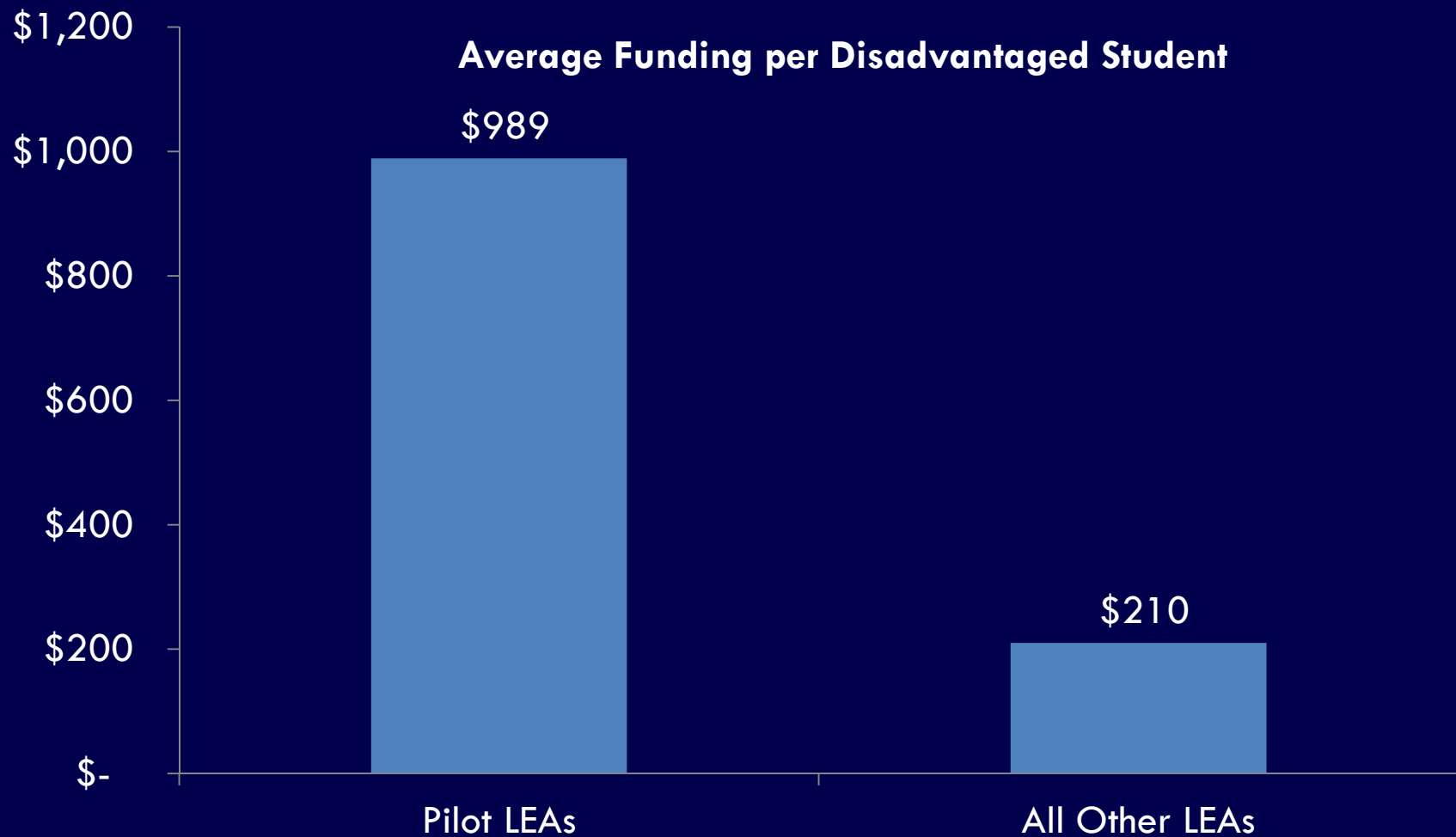
- Intended to address the capacity of LEAs to meet the needs of disadvantaged students
- Began as a pilot in 2004 across 16 LEAs
  - \$80 million in Fiscal Year 2014–15
  - All LEAs receive DSSF funds
  - 16 pilot counties are held harmless at Fiscal Year 2006-07 funding levels

Results in a maldistribution of funds

Report p. 36



# LEAs Held Harmless Receive Nearly Five Times as Much as Others



Report p. 37



# Finding 7

Funding for central office administration has been decoupled from changes in student membership, creating an imbalance in the distribution of funds

Report p. 38



# Decoupling the Formula From Changes in ADM Results in Funding Disparities

## Example 1

Union Co  
&  
Davidson Co

Receive Almost  
Identical Funding  
\$1.1  
million



Union Co  
42,105  
Students



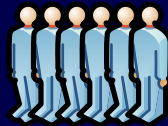
Davidson Co  
19,965  
Students



## Example 2

McDowell Co  
&  
Davie Co

Had almost the same  
number of students



McDowell Co  
received  
\$828,180



Davie Co  
received  
\$612,621



Report p. 39



**Let's Take a Break!**

**INTERMISSION**



# Section 2: System-level issues



## Finding 8

North Carolina's allotment system is opaque, overly complex, and difficult to comprehend, resulting in limited transparency

Report p. 40





# The System is Complex and Takes Time to Learn

- It takes time for LEA staff to learn how to navigate the system
  - Learned within a year: <1%
  - 4 or more years to learn: 23%

**23% of LEAs have business officer with less than 4 yrs. experience**

- Many LEAs have resorted to using consultants to help navigate this complexity—\$1.5 million spent over 5 yrs.

Report pp. 40-43



# Complexity Can Harm or Help LEAs

LEA business officer's ability to navigate the complexity can determine the resources an LEA receives

- Strategic use allows LEAs to maximize position allotment
- Failure to navigate the allotment system's complexity can cost millions in unrealized state resources

Report pp. 40-43



## Finding 9

Problems with complexity and transparency are exacerbated by a patchwork of laws and documented policies and procedures that seek to explain the system

Report p. 44



# Policies and Procedures Are Insufficient

- Framework for the system is based on piecemeal changes made through budgetary provisions, session laws, and agency policy
- Policy Manual
  - only available retrospectively
  - does not comprehensively cover all allotments and lacks procedural detail
- Creates challenges with validating and understanding allotments

Report p. 45



# Finding 10

Allotment transfers – a system feature intended to promote LEA flexibility – hinder accountability for resources targeted at disadvantaged, at-risk, and limited English proficiency students

Report p. 46



# Transfers Ensure Flexibility

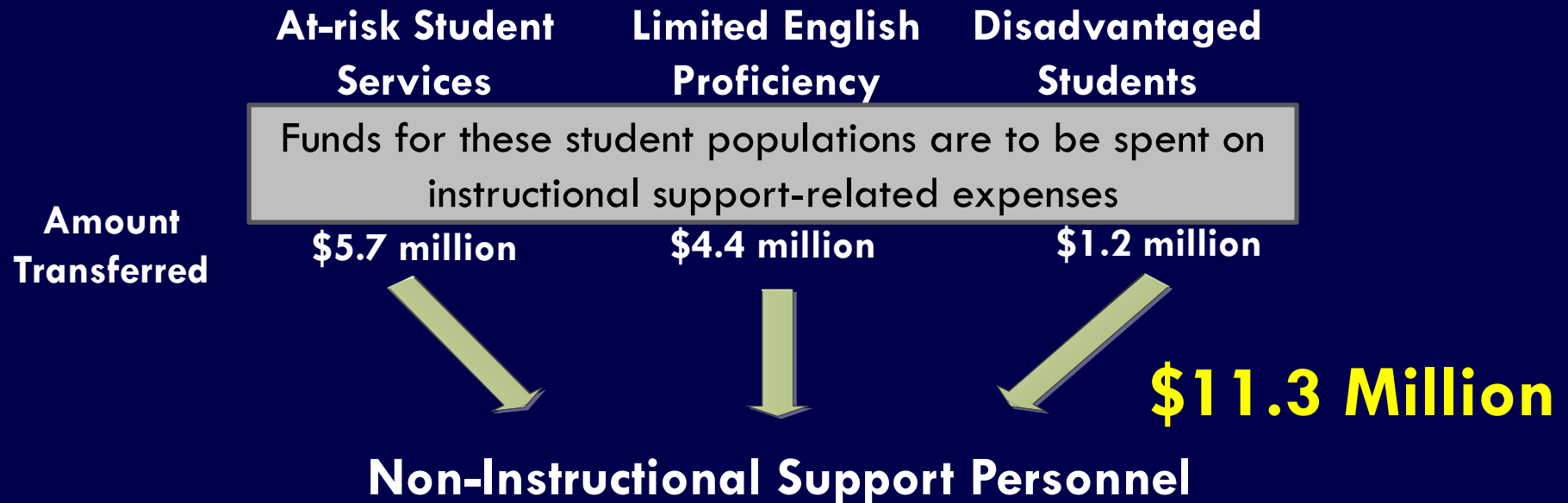
- Resource allocation model lacks adaptability—transfers remedy lack of adaptability
- 968 transfers were conducted in Fiscal Year 2014–15 equaling more than \$203 million
- Flexibility is important
  - expend resources as needed
  - align spending with local priorities
  - be more agile

## Transfers can blur accountability

Report pp. 47-48



# Transfers Can Challenge Accountability



**Purpose:** Provide funding for non-instructional support personnel at schools or central offices.

**Use of Funds:** Procure clerical assistants, custodians, duty free period, liability insurance, and substitutes.

**\$11.3 Million in Funds Allotted for At-Risk, Limited English Proficiency, and Disadvantaged Students Instead Used to Pay Non-Instructional Support Expenses**

Report pp. 49-50



# Finding 11

Translating the allotment system for funding LEAs into a method for providing per-pupil funding to charter schools creates several challenges

Report p. 50





# Translating Funding for Charter Schools

- Resource allocation model designed to provide funds to LEAs
- Allotments are calculated on a per-pupil amount
  - Classroom Teachers
  - Instructional Support
  - School Building Administration
  - Career Technical Education
  - Teacher Assistants
  - Central Office Administration
  - Non-Instructional Support
  - Classroom Materials & Supplies
  - Textbooks
  - Academically & Intellectually Gifted
  - At Risk Student
  - Disadvantaged Student Funding
  - Low Wealth Funding
  - Small County Funding
  - Transportation

Report pp. 50-51



# Several Allotments Translate Poorly

- Small county funding is designed to supplement for diseconomies of scale at the district level—not the school level
- Providing transportation is optional for charter schools—as a result, 49% of charters receive funds for services they don't provide

Report pp. 51-53



# Using First 20 Days of ADM Can Result in Decreased Funding for Charter Schools

Funded ADM is important because it determines the amount of funding

75 5 <sup>th</sup> grade students attend the first week (5 days) of the school year	<b>X</b>	<b>5</b>	<b>=</b>	<b>375</b>	<b>membership days</b>
All 100 5 <sup>th</sup> grade students attend school weeks 2, 3, and 4 (15 days)	<b>X</b>	<b>15</b>	<b>=</b>	<u><b>+ 1,500</b></u>	<b>membership days</b>
				<b>1,875</b>	<b>membership days</b>
				<u><b>÷ 20</b></u>	<b>Total days in first four weeks of school year</b>

<b>100 total number of students enrolled</b>	<b>-</b>	<b>94 ADM</b>	<b>=</b>	<b>6 students are unfunded</b>
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Report p. 54



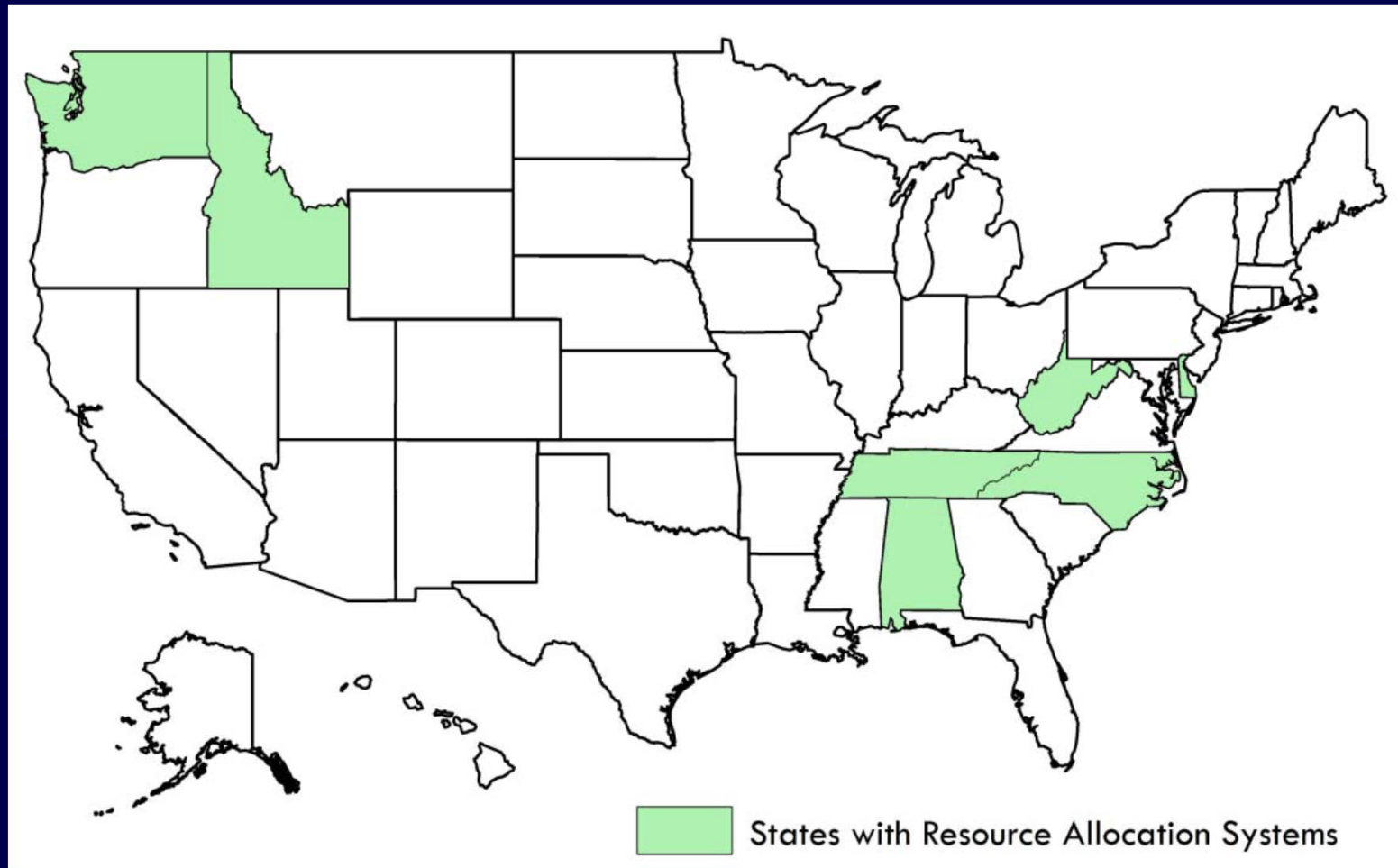
## Finding 12

Using a weighted student formula is feasible and offers some advantages over the present allotment system, but implementation would require time and careful deliberation

Report p. 55



# Few States Still Use a Resource Allocation Model



Report p. 56



# Weighted Student Formula

## Core characteristics of a weighted student formula model

- Students serve as the building blocks of education funding
- A base dollar amount is provided for each student
- Weighted categories provide additional funding based on student or district characteristics
- All funding is distributed as dollars

Report p. 56



# Core Components of the Weighted Student Formula

## Weighted Student Formula Components

### Base Amount

Covers the costs associated with educating a general student

### Weights

Student characteristics provide additional funding relative to the base amount

Base	Weights	
Base derived from the cost of a basic education for a general 9-12 grade student:  <b>\$7,500</b>	<b>Grade</b>	<b>Weight</b>
	K-3	.19
	3-5	.13
	6-8	.06
	<b>Student Characteristics</b>	<b>Weight</b>
	Limited English Proficiency	.38
	At-risk Students	.54
Children with Disabilities	.98	

Report p. 57



# Operationalizing a Weighted Student Formula



**Student 1**  
General 10<sup>th</sup>  
Grade Student

Base  
= \$7,500

Distributed to district or charter school as dollars



**Student 2**  
Second Grade Student  
with Learning Disabilities

Base      K-3 Grade Weight      Children With Disabilities Weight      Weighted Per Student Amount

= \$7,500 + \$1,425 + \$7,350 = \$16,275

or      or

(\$7,500 x .19)      (\$7,500 x .98)

Distributed to district or charter school as dollars



**Student 3**  
Middle School Student  
classified as being at-risk  
and having limited English  
proficiency

Base      6-8 Grade Weight      Limited English Proficiency Weight      At-Risk Student Weight      Weighted Per Student Amount

= \$7,500 + \$450 + \$2,850 + \$4,050 = \$14,850

or      or      or

(\$7,500 x .06)      (\$7,500 x .38)      (\$7,500 x .54)

Distributed to district or charter school as dollars



Report p. 56





# Benefits of Using Weighted Student Formula

**Adaptability:** adaptable to differing education delivery models such as distance learning, dual enrollment programs, open enrollment programs, and other emerging types of publicly-funded education

**Efficiency:** encourages efficiency by funding the current student population rather than providing funding based on historical practice

**Transparency:** simpler to understand because funding is determined through one formula with weights

Report p. 58



# Caution Related to Using Weighted Student Formula

- The model is no panacea to solve all policy problems
  - minimum funding thresholds
  - funding caps
  - hold harmless provisions
- Shifts more control and flexibility to LEAs
- There is no plug and play model
  - Each state is very different in its implementation
  - Design would require careful consideration to meet state needs

Report pp. 59-60



# Recommendations



# Two Options

Given the current state of the allotment system we recommend the General Assembly consider two options:

- 1) implement a funding system based on the weighted student funding model, or
- 2) reform the current allotment system

Report p. 63



# Recommendation 1

Establish a Joint Taskforce on Education Finance Reform to develop a model that uses a weighted student formula to fund the K-12 public education system

Addresses findings 8, 10, 11, & 12

Report pp. 63-64



# Recommendation 1

Working in consultation with the Department and the State Board, the taskforce would determine

- base amount distributed on a per-student basis
- weights (based on student and LEA characteristics)
- funding apart from the base and weights
- policies regarding special provisions and restrictions

Report pp. 63-64



# Recommendation 1

- 18 members—9 from the House and 9 from the Senate—2 chairs
- Taskforce chairs should determine the need for independent consultation
- Begin meeting no later than October 1, 2017, report by July 1, 2018

Report p. 63



## Recommendation 2

The General Assembly should codify the State's allotment system in statute and direct DPI to maintain and make publicly available a comprehensive, relevant, and up-to-date set of policies and procedures

Addresses findings 8 & 9

Report pp. 64-65





## Recommendation 3

The General Assembly should address the individual allotment deficiencies identified in Findings 1-7 of this report

Addresses findings 1 through 7

Report pp. 65-67



## Recommendation 3

- **Classroom Teachers:** Allot dollars in lieu of positions based on the number of students and the average state salary and broaden the teacher compensation model
- **Children with Disabilities:** Establish a framework that differentiates funding based on service setting and eliminate or restructure the funding cap
- **Limited English Proficiency:** Eliminate the minimum funding threshold and cap and provide a graduated per-headcount amount for LEP students that observes economies of scale

Report pp. 65-66



# Recommendation 3

- **Small County Supplemental Funding:** Make funding thresholds more consistent with literature and eliminate the use of base funding from other allotments and instead make adjustments for LEA size through the small county allotment
- **Low Wealth Supplemental Funding:** Eliminate the use of the adjusted property tax per square mile factor and provide equal weighting for a county's anticipated revenue per ADM and average per capita income

Report pp. 66-67



# Recommendation 3

- **Disadvantaged Student Supplemental Funding:** Eliminate the hold harmless provision and redistribute the freed-up dollars
- **Central Office Administration:** Distribute Central Office Administration dollars based on ADM student membership

Report p. 67



## Recommendation 4

The General Assembly should prohibit the use of transfers from allotments that serve special populations into the Non-Instructional Support allotment



## Recommendation 5

The General Assembly should direct DPI to consider additional student membership data when determining the funded ADM for charter schools



# Summary: Findings

- The allotment system is hampered by its complexity
- Several individual allotments are redundant, counterintuitive, and in some cases lack a clear rationale
- Several allotment policies result in maldistribution of resources across LEAs and charter schools
- Allotment system features and controls obfuscate transparency and accountability
- Other models for distributing resources that focus on the student as the unit of funding offer alternatives that merit consideration



# Summary: Recommendations

The General Assembly should choose between

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





# Summary: Responses

- DPI has provided a response that is included as part of the report
- Program Evaluation Division has provided a response to clarify issues raised by DPI's response



# Legislative Options

- Refer report to any appropriate committees
- Instruct staff to draft legislation based on the report



Report available online at  
[www.ncleg.net/PED/Reports/reports.html](http://www.ncleg.net/PED/Reports/reports.html)

