

LOW WEALTH COUNTIES SUPPLEMENTAL FUNDING (PRC 031)

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[SL 2017-57, Section 7.3](#)
[SL 2017-197, Section 2.19](#)
[SL 2021-180, Section 7.3\(h\)](#)

TYPE: Dollars

TERM: July 1 - June 30

PURPOSE: To provide supplemental funds in counties that do not have the ability to generate revenue to support public schools (per a legislated formula) at the state average level. The funding is to allow those counties to enhance the instructional program and student achievement.

ELIGIBILITY: Eligible LEAs are those located in counties in which the calculated county wealth (per the legislated formula) is less than 100% of the state average wealth.

FORMULA: All data used for this formula will be the most recent data as of May 15 of the preceding fiscal year of the allotment. The formula for this allotment is as follows:

- 1) Compare a county's ability to generate revenue (using three criteria) with the average ability to generate revenue of the other 99 counties in the state.
 - a) Purpose: The overall wealth of a county is considered critical in determining if a county can generate the necessary revenue to support the LEA(s) located within the county. The formula attempts to project the county's ability to generate revenue as compared to other counties in North Carolina.
 - b) Criteria:
 - i) Anticipated Total County Revenue - This anticipated revenue is generated from the property value in the county plus the revenue a county actually receives from sources such as sales taxes and fines and forfeitures. The property value has been adjusted by a formula to take into consideration the year the property was last valued. This calculation is projected to be almost 95% of all the revenue available to a county for current expense.
 - ii) Tax Base per Square Mile (Density) - This part of the formula compares the value of a county's property per square mile with the state average property value per square mile. This calculation attempts to recognize the "swamp land" (low to no value property) across the state and to compare the quantity of this property with all other counties.

- iii) Per Capita Income – A three-year average of a county's per capita income is compared to the same average for the total state. The per capita income is a basic indicator of a county's residents' ability to pay taxes.
- 2) Determine if a county is eligible to receive funding.
 - a) Purpose: The factors outlined in Step 1 are weighted to determine how a county compares to all other counties in the State.
 - b) Criteria:
 - i) 40% Anticipated Total County Revenue as a percentage of the State Average Anticipated State Revenue [see Step 1(b)(i)].
 - ii) 10% Tax Base per Square Mile as a percentage of the State Average Tax Base per Square Mile [see Step 1(b)(ii)].
 - iii) Combine the formula weights revenue/property as 50% of the calculation.
 - iv) 50% A County's average per capita income as a percentage of the State average per capita income [see Step 1(b)(iii)].
 - c) When the three percentages are totaled, the sum indicates the county's wealth as a percentage of the state's average wealth. If the total is less than 100%, a county is eligible to receive funding.
- 3) Determine if a county is meeting a minimum effort to generate revenue or fund public schools as compared to a state average effort.
 - a) Purpose: Minimum effort is established to determine if a county is committing a comparable effort compared to other counties within the State. To receive total funding, a county must either tax their local property at the State average or contribute more local dollars to public schools than the State average local contribution.
 - b) Criteria: A county is fundable at 100% of the calculated funding if at least one of the following conditions is met:
 - i) The county's actual tax rate is adjusted by a formula to take into consideration the year the property was last valued. The revised tax rate is classified as the Effective Tax Rate. If the county's Effective Tax Rate is higher than the state Average Effective Tax Rate, the county is fundable at 100% of the funding as calculated in the formula.
 - ii) If the county's appropriation per student is higher than what the county could provide given the county's ability to generate wealth and an average effort to fund public schools, then a county is eligible for 100% funding. To determine what a county could provide, the State average contribution is multiplied by the county's wealth percentage (total percentage in Step 2 above).
 - iii) A county will be funded at a percentage of the calculated funding in the formula if the county is eligible for funding and does not meet the two criteria outlined above. A county's funding will be based on the percentage a county is contributing to public schools as compared to what the county could contribute based on the county's wealth and an average state effort.
- 4) Calculation of what a County (LEA) will be funded.
 - a) Purpose: Once a county is determined to be Low Wealth, the next step is to calculate the amount of supplemental funds the county will receive.

- b) Criteria:
 - i) The difference between the county's Appropriation per student and State Average Local Appropriation (including supplemental taxes) per student is multiplied by the county's ADM for a total allotment per formula.
 - ii) If the county does not meet the minimum effort as described in Step 3, their allotment is prorated based on the effort they are maintaining.
 - iii) The total for all counties is prorated to the appropriated funds.

SPECIAL PROVISION:

- 1) Funds allotted for a Low Wealth Supplement must be expended only for:
 - a) Instructional positions
 - b) Substitutes
 - c) Instructional support positions
 - d) Teacher assistant positions
 - e) Clerical positions
 - f) Overtime pay
 - g) Instructional equipment
 - h) Instructional supplies and materials
 - i) Staff development
 - j) Fringe benefits
 - k) Textbooks and digital resources
 - l) Supplements for instructional personnel and instructional support personnel as defined in the Uniform Chart of Accounts.
- 2) These funds are to supplement, not supplant, local funds. Funds will not be allocated to any LEA found to have used these funds to supplant local per student current expense funds.
- 3) A county is considered to have used these funds to supplant if the current expense appropriation per student of the county for the current year is less than 95% of the average of the local current expense appropriations per student for the three prior fiscal years.
- 4) The State Board of Education will consider requests from LEAs to waive the non-supplant requirement as outlined in the legislated low wealth and small county supplemental funding formula only under the following conditions:
 - a) The county can show:
 - i) that it has remedied the deficiency in funding, or
 - ii) that extraordinary circumstances caused the county to supplant local expense funds with funds allocated under this section.
 - b) Examples include:
 - i) Closing/merging schools within an LEA.
 - ii) Loss of federal Impact Aid funds.
 - iii) Significant change in the demand for county resources due to state/federal unfunded mandates, natural disaster, or other emergency.
- 5) A county containing a base of the Armed Forces of the United States that has an average daily membership of more than 17,000 students shall receive whichever is the higher amount in each fiscal year as follows: either the same amount of supplemental funding the county

received as a low-wealth county in the 2012-2013 fiscal year, or the amount of supplemental funding the county is eligible to receive as a low-wealth county pursuant to the formula. This provision also exempts the county from the non-supplant requirement.

- 6) Funds may be transferred with no restrictions by submitting ABC Transfer Form in the Allotment System.

SECTION 7.2.(b) Prior to determining the allocation of funds for the 2024-2025 school year, the Department of Public Instruction shall develop a uniform definition for "academically or intellectually gifted student" to be used throughout the State.

CODIFY BOILERPLATE

SECTION 7.3. Chapter 115C of the General Statutes is amended by adding a new Article to read:

"Article 32F.

"Supplemental School Funding.

"§ 115C-472.17. Supplemental funding in low-wealth counties.

(a) Use of Funds for Supplemental Funding. – To the extent funds are made available for this purpose, all funds received pursuant to this section shall be used only (i) to provide instructional positions, instructional support positions, teacher assistant positions, clerical positions, school computer technicians, instructional supplies and equipment, staff development, and textbooks and digital resources and (ii) for salary supplements for instructional personnel and instructional support personnel. Local boards of education are encouraged to use at least twenty-five percent (25%) of the funds received pursuant to this section to improve the academic performance of children who are performing at Level I or II on either reading or mathematics end-of-grade tests in grades three through eight.

(b) Definitions. – As used in this section, the following definitions apply:

- (1) Anticipated county property tax revenue availability. – The county-adjusted property tax base multiplied by the effective State average tax rate.
- (2) Anticipated State average revenue availability per student. – The sum of all anticipated total county revenue availability divided by the average daily membership for the State.
- (3) Anticipated total county revenue availability. – The sum of the following:
 - a. Anticipated county property tax revenue availability.
 - b. Local sales and use taxes received by the county that are levied under Chapter 1096 of the 1967 Session Laws or under Subchapter VIII of Chapter 105 of the General Statutes.
 - c. Fines and forfeitures deposited in the county school fund for the most recent year for which data are available.
- (4) Anticipated total county revenue availability per student. – The anticipated total county revenue availability for the county divided by the average daily membership of the county.
- (5) Average daily membership. – Average daily membership as defined in the North Carolina Public Schools Allotment Policy Manual adopted by the State Board of Education. If a county contains only part of a local school administrative unit, the average daily membership of that county includes all students who reside within the county and attend that local school administrative unit.
- (6) County-adjusted property tax base. – Computed as follows:
 - a. Subtract the present-use value of agricultural land, horticultural land, and forestland in the county, as defined in G.S. 105-277.2, from the total assessed real property valuation of the county.
 - b. Adjust the resulting amount by multiplying by a weighted average of the three most recent annual sales assessment ratio studies.
 - c. Add to the resulting amount the following:
 1. Present-use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2.

2. Value of property of public service companies, determined in accordance with Article 23 of Chapter 105 of the General Statutes.
3. Personal property value for the county.
- (7) County-adjusted property tax base per square mile. – The county-adjusted property tax base divided by the number of square miles of land area in the county.
- (8) County wealth as a percentage of State average wealth. – Computed as follows:
 - a. Compute the percentage that the county per capita income is of the State per capita income and weight the resulting percentage by a factor of five-tenths.
 - b. Compute the percentage that the anticipated total county revenue availability per student is of the anticipated State average revenue availability per student and weight the resulting percentage by a factor of four-tenths.
 - c. Compute the percentage that the county-adjusted property tax base per square mile is of the State-adjusted property tax base per square mile and weight the resulting percentage by a factor of one-tenth.
 - d. Add the three weighted percentages to derive the county wealth as a percentage of the State average wealth.
- (9) Effective county tax rate. – The actual county tax rate multiplied by a weighted average of the three most recent annual sales assessment ratio studies.
- (10) Effective State average tax rate. – The average of effective county tax rates for all counties.
- (11) Local current expense funds. – The most recent county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.
- (12) Per capita income. – The average for the most recent three years for which data are available of the per capita income according to the most recent report of the United States Department of Commerce, Bureau of Economic Analysis, including any reported modifications for prior years as outlined in the most recent report.
- (13) Sales assessment ratio studies. – Sales assessment ratio studies performed by the Department of Revenue under G.S. 105-289(h).
- (14) State average adjusted property tax base per square mile. – The sum of the county-adjusted property tax bases for all counties divided by the number of square miles of land area in the State.
- (15) State average current expense appropriations per student. – The most recent State total of county current expense appropriations to public schools, as reported by local boards of education in the audit report filed with the Secretary of the Local Government Commission pursuant to G.S. 115C-447.
- (16) Supplant. – To decrease local per student current expense appropriations from one fiscal year to the next fiscal year.
- (17) Weighted average of the three most recent annual sales assessment ratio studies. – The weighted average of the three most recent annual sales assessment ratio studies in the most recent years for which county current expense appropriations and adjusted property tax valuations are available. If real property in a county has been revalued one year prior to the most recent sales assessment ratio study, a weighted average of the two most recent sales

assessment ratios shall be used. If property has been revalued the year of the most recent sales assessment ratio study, the sales assessment ratio for the year of revaluation shall be used.

(c) Eligibility for Funds. – Except as provided in subsection (g) of this section, the State Board of Education shall allocate these funds to local school administrative units located in whole or in part in counties in which the county wealth as a percentage of the State average wealth is less than one hundred percent (100%).

(d) Allocation of Funds. – Except as provided in subsection (f) of this section, the amount received per average daily membership for a county shall be the difference between the State average current expense appropriations per student and the current expense appropriations per student that the county could provide given the county's wealth and an average effort to fund public schools. To derive the current expense appropriations per student that the county could be able to provide given the county's wealth and an average effort to fund public schools, multiply the county's wealth as a percentage of State average wealth by the State average current expense appropriations per student. The funds for the local school administrative units located in whole or in part in the county shall be allocated to each local school administrative unit located in whole or in part in the county based on the average daily membership of the county's students in the school units. If the funds appropriated for supplemental funding are not adequate to fund the formula fully, each local school administrative unit shall receive a pro rata share of the funds appropriated for supplemental funding.

(e) Formula for Distribution of Supplemental Funding Pursuant to this Section Only. – The formula in this section is solely a basis for distribution of supplemental funding for low-wealth counties and is not intended to reflect any measure of the adequacy of the educational program or funding for public schools. The formula is also not intended to reflect any commitment by the General Assembly to appropriate any additional supplemental funds for low-wealth counties.

(f) Minimum Effort Required. – A county shall receive full funding under this section if the county (i) maintains an effective county tax rate that is at least one hundred percent (100%) of the effective State average tax rate in the most recent year for which data are available or (ii) maintains a county appropriation per student to the school local current expense fund of at least one hundred percent (100%) of the current expense appropriations per student to the school local current expense fund that the county could provide given the county's wealth and an average effort to fund public schools. A county that maintains a county appropriation per student to the school local current expense fund of less than one hundred percent (100%) of the current expense appropriations per student to the school local current expense fund that the county could provide given the county's wealth and an average effort to fund public schools shall receive funding under this section at the same percentage that the county's appropriation per student to the school local current expense fund is of the current expense appropriations per student to the school local current expense fund that the county could provide given the county's wealth and an average effort to fund public schools.

(g) Nonsupplant Requirement. – A county in which a local school administrative unit receives funds under this section shall use the funds to supplement local current expense funds and shall not supplant local current expense funds. The State Board of Education shall not allocate funds under this section to a county found to have used these funds to supplant local per student current expense funds. The State Board of Education shall make a finding that a county has used these funds to supplant local current expense funds in the prior year, or the year for which the most recent data are available, if all of the following criteria apply:

- (1) The current expense appropriations per student of the county for the current year is less than ninety-five percent (95%) of the average of local current expense appropriations per student for the three prior fiscal years.

- (2) The county cannot show (i) that it has remedied the deficiency in funding or (ii) that extraordinary circumstances caused the county to supplant local current expense funds with funds allocated under this section.

The State Board of Education shall adopt rules to implement the requirements of this subsection.

(h) Counties Containing a Base of the Armed Forces. – Notwithstanding any other provision of this section, counties containing a base of the Armed Forces of the United States that have an average daily membership of more than 17,000 students shall receive whichever is the higher amount in each fiscal year as follows: either the amount of supplemental funding the county received as a low-wealth county in the 2012-2013 fiscal year or the amount of supplemental funding the county is eligible to receive as a low-wealth county pursuant to the formula for distribution of supplemental funding under the other provisions of this section.

(i) Funds for EVAAS Data. – Notwithstanding the requirements of subsection (a) of this section, local school administrative units may utilize funds allocated under this section to purchase services that allow for extraction of data from the Education Value-Added Assessment System (EVAAS).

(j) Reports. – The State Board of Education shall report to the Fiscal Research Division prior to May 15 of each year if it determines that counties have supplanted funds.

(k) Department of Revenue Reports. – The Department of Revenue shall provide to the Department of Public Instruction a preliminary report for the current fiscal year of the assessed value of the property tax base for each county prior to March 1 of each year and a final report prior to May 1 of each year. The reports shall include for each county the annual sales assessment ratio and the taxable values of (i) total real property, (ii) the portion of total real property represented by the present use value of agricultural land, horticultural land, and forestland, as defined in G.S. 105-277.2, (iii) property of public service companies determined in accordance with Article 23 of Chapter 105 of the General Statutes, and (iv) personal property.

"§ 115C-472.18. Small county school system supplemental funding.

(a) Allotment Schedule. – Except as otherwise provided in subsection (c) of this section, each eligible county school administrative unit shall receive a dollar allotment according to the following schedule, on the basis of allotted ADM for the county school administrative unit, to the extent funds are made available for this purpose:

| <u>Allotted ADM</u> | <u>Small County Allotment</u> |
|---------------------|-------------------------------|
| <u>0-1,300</u> | <u>\$1,820,000</u> |
| <u>1,301-1,700</u> | <u>\$1,774,700</u> |
| <u>1,701-2,000</u> | <u>\$1,729,400</u> |
| <u>2,001-2,300</u> | <u>\$1,684,100</u> |
| <u>2,301-2,600</u> | <u>\$1,638,800</u> |
| <u>2,601-2,800</u> | <u>\$1,593,500</u> |
| <u>2,801-3,300</u> | <u>\$1,548,200</u> |

(b) Phase-Out Provision. – If a local school administrative unit becomes ineligible for funding under the schedule in subsection (a) of this section, funding for that unit shall be phased out over a five-year period. Funding for such local school administrative units shall be reduced in equal increments in each of the five years after the unit becomes ineligible. Funding shall be eliminated in the fifth fiscal year after the school administrative unit becomes ineligible.

Allotments for eligible local school administrative units under this subsection shall not be reduced in any fiscal year by more than twenty percent (20%) of the amount received during the fiscal year when the local school administrative unit became ineligible to receive funds under this section. A local school administrative unit shall not become ineligible for funding if either the highest of the first two months' total projected average daily membership for the current year or the higher of the first two months' total prior year average daily membership would otherwise have made the unit eligible for funds under the schedule in subsection (a) of this section.