

## **Increased Local Education Agency Funding Flexibility FY 2009-10 and FY 2010-11**

### **Background**

Section 7.8 of SB 202 (legislation language included below) authorized the State Board of Education to adopt emergency rules to grant maximum flexibility to local education agencies (LEAs) regarding the transfer of State funding. The maximum flexibility will enable LEAs to better manage the significant budget reductions required due to the significant revenue shortages projected for FY 2009-10 and FY 2010-11.

The legislation placed two restrictions on what the State Board of Education could include in the emergency rules:

- 1) Allocation of teachers and class size requirements in grades K-3 shall remain unchanged.
- 2) Shall not permit the transfer of funds from school-based positions to the central office.

LEAs are to make every effort to minimize the budget adjustments that impact classroom instruction and classroom activities. LEAs must also maximize the use of federal recover funds to assure that, when appropriate under federal grant rules, the funds are used to expand or maintain classroom support. As required by the federal recovery funding guidance, we will be monitoring and reporting the types of jobs created and saved by local education agencies because of the federal recovery funds received. This reporting will be monthly and will be posted to the web for public access to expenditure information.

### **Legislation (S.L. 2009-451)**

#### **PROTECTION OF THE CLASSROOM WHILE MAXIMIZING FLEXIBILITY**

**SECTION 7.8.(a)** The State Board of Education is authorized to adopt emergency rules in accordance with G.S. 150B-21.1A to grant maximum flexibility to local school administrative units regarding the expenditure of State funds. These rules shall not be subject to the limitations on transfers of funds between funding allotment categories set out in G.S. 115C-105.25. These rules:

- (1) Shall authorize the transfer of textbook funds to other allotments to manage funding cuts; and
- (2) Shall not permit the transfer of funds from school-based positions to the central office.

**SECTION 7.8.(b)** For fiscal years 2009-2010 and 2010-2011, local school administrative units shall make every effort to reduce spending whenever and wherever such budget reductions are appropriate with the goal of protecting direct classroom services and services for students at risk and children with special needs. Local school administrative units shall implement administrative and other operating efficiencies and minimize the dismissal of classroom-based personnel by maximizing funds received from the American Recovery and Reinvestment Act of 2009 (ARRA), P.L. 111-5. Notwithstanding G.S. 115C-301 or any other law, local school administrative units shall have the maximum flexibility to use allotted teacher positions to maximize student achievement in grades 4-12. Allocation of teachers and class size

requirements in grades K-3 shall remain unchanged.

**SECTION 7.8.(c)** Within 14 days of the date this act becomes law, the State Board of Education shall notify each local school administrative unit and charter school of the amount the unit must reduce from the State General Fund appropriations. The State Board shall determine the amount of the reduction for each unit on the basis of average daily membership.

**SECTION 7.8.(d)** Each unit shall report to the Department of Public Instruction on the flexibility budget reductions it has identified for the unit within 30 days of the date this act becomes law.

**Temporary State Board Policy Changes (FY 2009-10 and FY 2010-11 only):**

The ABCs of public education enables LEAs to have flexibility in their funding. Transfers of funding and/or position allotments are to be submitted to the School Allotments Section of the **Division of School Business**. No financial State Board of Education waivers are required.

Expenditures will be captured in the Program Report Code (PRC) from which funds are expended and reported per Uniform Education Reporting System (UERS) requirements every 30 days. All positions/months are transferred at the statewide average salary. If converting one of the following guaranteed certified positions:

- Instructional Support
- Career Technical Education Months of Employment
- School Building Administration

For the purpose of paying for a different certified position from that being transferred into PRC 010 (Certified Positions converted to dollars), the dollar amount converted will equal the average salary of the position including benefits. The salary of the position to be paid from PRC 010 will be a dollar allotment and not a guaranteed salary. Converting certified position allotments to dollars for the purpose of hiring the same type position is not allowable.

No transfer will be allowed from Children with Disabilities Special Funds (PRC 063) and Behavioral Support (PRC 029)

Transfers will be allowed to or from the following categories (for FY 2009-10 and FY 2010-11):

- ~~Children with Disabilities Special Funds (PRC 063)~~
- Limited English Proficiency
- Low Wealth Supplemental Funding
- School Technology
- ~~Behavioral Support~~
- High School Learn and Earn
- Disadvantaged Student Supplemental Funding

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- Deleted: ABC Incentive Award
- Deleted: Driver Training

Deleted: Small County Supplemental Funding

- Deleted: Federal Funds
- Deleted: LEA Financed Purchase of School Buses

Limited transfers will be allowed for the following categories:

- At Risk Student Services/Alternative Schools: Funds can be transferred into or out of this category.
  - Central Office Administration: Transfers from central office administration are acceptable. Transfers into this category are not allowed.
  - Classroom Teachers: Transfers from teachers are not restricted. Note the legislation requires LEAs to minimize the dismissal of classroom-based personnel and that class size requirements in grades K-3 shall remain unchanged. The legislation also states that LEAs shall use allotted positions to maximize student achievement in grades 4-12.
  - Teacher Assistants: Transfers into or out of teacher assistants are acceptable.
- Grade placement may be waived if it is in a school's improvement plan to serve students primarily in grades K-3 when the personnel are assigned to an elementary school to serve the whole school.**
- Transportation funds may be transferred but will impact efficiency ratings.
  - Career Technical Education: Funds may be transferred between Months of Employment (MOEs) and Program Support. Transfers out of Career Technical Education (MOEs) for other categories is allowable up to the amount of increase in the State allotment for each fiscal year. The Department is requesting a waiver of the federal maintenance of effort restrictions that will allow for additional transfers if approved.
  - Non-instructional Support: Funds may not be transferred out of this category.
  - Children with Disabilities: Funds can be transferred from this category up to the amount of increase in the State allotment for each fiscal year and only if the dollars per eligible student is maintained at the FY 2008-09 level as adjusted for legislated adjustments (federal recovery money can be used as part of the dollar per eligible student calculation). The Department is requesting a waiver of the federal maintenance of effort restrictions that will allow for additional transfers if approved.
  - Academically & Intellectually Gifted: Funds may be transferred to other categories.
  - Classroom Materials/Instructional Supplies/Equipment: Funds may be transferred into or out of this category.
  - Textbooks: Transfers into and out of this category are allowed. There is no change in carryover provisions as outlined in policy.
  - The final date for transfers is the last work day of May each year. Transfers received after this date cannot be approved.

**Note:** LEAs are to make every effort to minimize the budget adjustments that impact classroom instruction and classroom activities. LEAs must also maximize the use of federal recover funds to assure that, when appropriate under federal grant rules, the funds are used to expand or maintain classroom support. As required by the federal recovery funding guidance, we will be monitoring and reporting the types of jobs created and saved by local education agencies because of the federal recovery funds received. This reporting will be monthly and will be posted to the web for public access to expenditure information.

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- Deleted:** Funds can be transferred into this category.
- Deleted:** to classroom materials/instructional supplies/equipment, exceptional children teachers, at-risk teachers, and
- Deleted:** textbooks.
- Deleted:** If included in a school's plan, transfers from teacher assistants to dollars for classroom teachers for grades K-3 (PRC 008) are allowed. Teacher assistant positions must be vacant to transfer.
- Deleted:** may not exceed the average state salary increase for the current fiscal
- Deleted:** year based on the promulgated rules established by the State Board of Education to comply with federal regulations.
- Deleted:** only for teacher positions (any
- Deleted:** grade) if in a school's improvement plan. Three percent (3%) of these funds may be
- Deleted:** transferred for staff development.
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- Deleted:** if in a school's improvement plan and if all academically & intellectually gifted students are appropriately served. Funds may be transferred into this category.
- Deleted:** Transfers are allowed only to
- Deleted:** textbooks if included in a school's improvement plan.
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- Deleted:** only to Classroom Materials/Instructional Supplies/Equipment
- Deleted:** allowed if included in a school's improvement plan. LEAs do not have to obtain a waiver
- Deleted:** to purchase off the state-adopted list.
- Deleted:** Improving Student Accountability: Funds may not be transferred from this category. Funds may be transferred into from any category.
- Deleted:** Transfers of more than 5% of an allotment category may require additional justification, including submission of a school improvement plan.
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