

**EXECUTIVE SUMMARY**

**Title:** Reducing State Allotments to Comply with Legislation

**Type of Executive Summary:**

- Consent
- Action
- Action on First Reading
- Discussion
- Information

**Policy Implications:**

- Constitution \_\_\_\_\_
- General Statute # \_\_\_\_\_
- SBE Policy #EEO-M-003
- SBE Policy Amendment
- SBE Policy (New)
- APA # \_\_\_\_\_
- APA Amendment
- APA (New)
- Other \_\_\_\_\_

**Presenter(s):** Mr. Philip Price (Associate Superintendent, Financial and Business Services) and Ms. Becky McConkey (Manager, Office of Budget Management)

**Description:**

Both the House and Senate budgets include a discretionary reduction (\$42 million or \$44.3 million respectively) to the 2003-04 funding for LEAs. This means in 2003-04 DPI will advise the LEAs how much their allotments must be reduced, and the LEAs will advise DPI which categories they wish to have reduced. A special provision in both the House and Senate versions of House Bill 397, Section 7.23 entitled Local Education Agency Flexibility mandates that this reduction become permanent. It requires the State Board of Education to determine changes to the allotment categories for 2004-05 to make the reductions permanent. The changes must be completed by December 15 (per Senate) or February 15 (per House). With other recent permanent reductions to the public school budget and some allotment categories whose formulas are legislated, the State Board of Education will have to spend some time deliberating how these permanent reductions will be implemented. This agenda item is presented for information so the State Board of Education can begin consideration of this requirement.

**Resources:**

None

**Input Process:**

We anticipate input from LEAs by reviewing their choices for their 2002-03 and 2003-04 discretionary reductions and through further discussions.

**Stakeholders:**

LEAs, Department of Public Instruction, Legislators

**Timeline For Action:**

Presented for information this month. Further discussion and action will be taken up prior to the final deadline for completing the allotment category changes.

**Recommendations:**

N/A

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**Audiovisual equipment requested for the presentation:**

- Data Projector/Video (Videotape/DVD and/or Computer Data, Internet, Presentations-PowerPoint preferred)  
Specify: \_\_\_\_\_
- Audio Requirements (computer or other, except for PA system which is provided)  
Specify: \_\_\_\_\_
- Document Camera (for transparencies or paper documents – white paper preferred)

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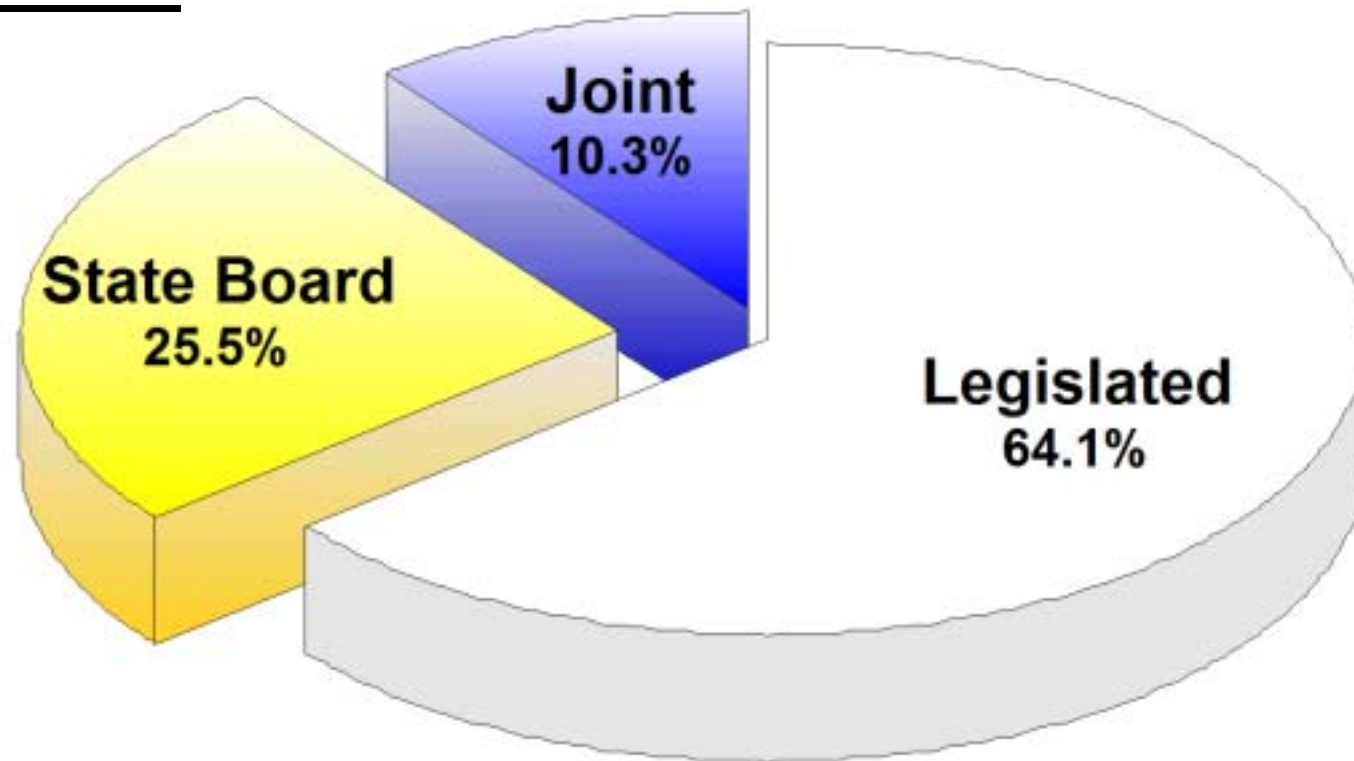
Motion By: \_\_\_\_\_ Seconded By: \_\_\_\_\_  
Vote: Yes \_\_\_\_\_ No \_\_\_\_\_ Abstain \_\_\_\_\_  
Approved \_\_\_\_\_ Disapproved \_\_\_\_\_ Postponed \_\_\_\_\_ Revised \_\_\_\_\_

\*Person responsible for SBE agenda materials and SBE policy updates: Becky McConkey, 807-3741

# State Funding for Public Schools

## Who Develops the Formula?

\$6 Billion



**Legislated:** The General Assembly outlines how the funding is to be distributed to the local education agencies (LEAs).

**State Board:** The General Assembly does not prescribe the distribution formula. The State Board develops the distribution formula.

**Joint:** Part of the formula is legislated.

# The Difficulty with Identifying What to Reduce

- f A \$45 million reduction would equate to a 0.75% reduction to every state allotment category.
- f Once you remove the legislated formulas, a \$45 million reduction would equate to a 2.08% reduction to all remaining allotment categories.
- f The State Board will have to make permanent reductions on top of reductions already identified by the General Assembly.
- f Several allotment groups will be difficult to reduce. For example:
  - f Transportation (11.55% of the State Board and Joint allotments) is based on an efficiency formula.
  - f If the General Assembly reduces teacher assistants or vocational education, another reduction to these allotments could lead to significant layoffs. These two categories comprise 30% of the allotment available for reduction.
  - f If these three allotments are removed from consideration, the remaining allotment categories would need to be reduced 3.56% (At-Risk, LEP, testing, noninstructional support, instructional support, etc.).

## Proposed 2003/04 Public Schools Budget

**Beginning Budget**

Avg. Daily Membership Adjustment  
Avg. Salary Adjustment

|                  |                  |
|------------------|------------------|
| \$ 6,086,682,250 | \$ 6,086,682,250 |
| (12,561,172)     | (12,561,172)     |
| (37,352,516)     | (37,352,516)     |

*The ADM and Salary adjustments are included in the FY 2003-04 Cont. Budget amounts.*

| Category | FY 2003-04 State Appropriation Continuation Budget |             | Reduction and Expansion Items |          |                           |          |                           |           |
|----------|--|-------------|-------------------------------|----------|---------------------------|----------|---------------------------|-----------|
|          | Amount   | % of Budget | Proposed House (2003/04)      | % of Bud | Proposed Senate (2003/04) | % of Bud | LEA Flexibility (2002/03) | % of Red. |

**Administrative Support**

|             |                                  |                      |              |                       |              |                       |              |                      |              |
|-------------|----------------------------------|----------------------|--------------|-----------------------|--------------|-----------------------|--------------|----------------------|--------------|
| State Board | Central Office                   | \$97,457,724         | 1.61%        | (\$1,949,154)         | 1.59%        | (\$1,949,154)         | 1.58%        | (\$1,320,746)        | 3.44%        |
| Legislated  | DPI                              | 28,905,512           | 0.48%        | (311,331)             | 0.48%        | (311,331)             | 0.47%        | -                    | 0.00%        |
| Legislated  | Financial Literacy Pilot Program |                      |              |                       |              | 73,000                | 0.00%        |                      |              |
| State Board | Other Insurance                  | 48,944               | 0.00%        | (48,944)              | 0.00%        | (48,944)              | 0.00%        | -                    | 0.00%        |
| Joint       | School Building Admin.           | 276,462,109          | 4.58%        | (10,122,289)          | 4.43%        | (11,330,817)          | 4.40%        | (1,721,578)          | 4.49%        |
|             | <b>Sub-Total Admin. Support</b>  | <b>\$402,874,289</b> | <b>6.67%</b> | <b>(\$12,431,718)</b> | <b>6.49%</b> | <b>(\$13,567,246)</b> | <b>6.46%</b> | <b>(\$3,042,324)</b> | <b>7.93%</b> |

**Outside of Classroom**

|             |                                       |                      |               |                       |               |                       |               |                      |               |
|-------------|---------------------------------------|----------------------|---------------|-----------------------|---------------|-----------------------|---------------|----------------------|---------------|
| Legislated  | Character Education                   | 199,617              | 0.00%         | -                     | 0.00%         | -                     | 0.00%         | -                    | 0.00%         |
| State Board | Instructional Support                 | 338,132,875          | 5.60%         | -                     | 5.62%         | (303,243)             | 5.60%         | (3,327,285)          | 8.67%         |
| Legislated  | Information Highway Lines             | 1,200,000            | 0.02%         | -                     | 0.0002        |                       | 0.02%         | -                    | 0.00%         |
| Legislated  | NBPTS                                 | 3,274,500            | 0.05%         | -                     | 0.05%         |                       | 0.05%         | -                    | 0.00%         |
| Legislated  | NCWISE OWL                            | 628,000              | 0.01%         | -                     | 0.01%         |                       | 0.01%         | -                    | 0.00%         |
| State Board | Noninstructional Support              | 291,716,686          | 4.83%         | (13,000,000)          | 4.63%         | (13,000,000)          | 4.62%         | (1,798,423)          | 4.69%         |
| Legislated  | Non-Profits                           | 2,024,068            | 0.03%         | 200,000               | 0.04%         | (100,000)             | 0.03%         | -                    | 0.00%         |
| Legislated  | Prospective Teacher                   | 2,252,535            | 0.04%         | -                     | 0.04%         |                       | 0.04%         | -                    | 0.00%         |
| Legislated  | School Breakfast                      | 2,700,000            | 0.04%         | (2,700,000)           | 0.00%         | (500,000)             | 0.04%         | -                    | 0.00%         |
| Legislated  | School Bus Replacement                | 36,298,935           | 0.60%         | (11,000,000)          | 0.42%         | (11,000,000)          | 0.42%         | -                    | 0.00%         |
| Legislated  | School Report Cards                   | 200,000              | 0.00%         | -                     | 0.00%         |                       | 0.00%         | -                    | 0.00%         |
| Legislated  | Teaching Fellows                      | 10,160,000           | 0.17%         | -                     | 0.17%         |                       | 0.17%         | -                    | 0.00%         |
| Legislated  | Textbook Freight                      | 217,837              | 0.00%         | -                     | 0.00%         |                       | 0.00%         | -                    | 0.00%         |
| State Board | Transportation                        | 249,947,686          | 4.14%         | (5,560,000)           | 4.06%         | (5,560,000)           | 4.05%         | (263,695)            | 0.69%         |
| State Board | UERS                                  | 19,800,874           | 0.33%         | (2,600,000)           | 0.29%         |                       | 0.33%         | -                    | 0.00%         |
|             | <b>Sub-Total Outside of Classroom</b> | <b>\$958,753,613</b> | <b>15.86%</b> | <b>(\$34,660,000)</b> | <b>15.36%</b> | <b>(\$30,463,243)</b> | <b>15.40%</b> | <b>(\$5,389,403)</b> | <b>14.05%</b> |

|                             |                                  | FY 2003-04 State Appropriation Continuation Budget |               | Reduction and Expansion Items |               |                           |               |                           |               |
|-----------------------------|----------------------------------|--|---------------|-------------------------------|---------------|---------------------------|---------------|---------------------------|---------------|
| Category                    |                                  | Amount   | % of Budget   | Proposed House (2003/04)      | % of Bud      | Proposed Senate (2003/04) | % of Bud      | LEA Flexibility (2002/03) | % of Red.     |
| <b>Classroom</b>            |                                  |  |               |                               |               |                           |               |                           |               |
| Legislated                  | Academically Gifted              | \$47,510,950                                       | 0.79%         | \$0                           | 0.79%         | \$0                       | 0.79%         | (\$187,230)               | 0.49%         |
| State Board                 | At-Risk                          | 177,761,454  | 2.94%         | (1,356,894)                   | 2.93%         | (1,356,894)               | 2.93%         | (2,256,497)               | 5.88%         |
| Legislated                  | Children with Disabilities       | 512,028,915  | 8.48%         | -                             | 8.51%         | -                         | 8.49%         | (253,097)                 | 0.66%         |
| Legislated                  | Classroom Materials/Supplies     | 67,119,254   | 1.11%         | (4,055,529)                   | 1.05%         | (4,055,529)               | 1.05%         | (2,340,009)               | 6.10%         |
| Legislated                  | Classroom Teachers: Class Size   | 2,746,330,819                                      | 45.49%        | 25,303,294                    | 46.06%        | 24,860,153                | 45.96%        | (7,881,264)               | 20.53%        |
| Legislated                  | Improving Student Accountability | 44,830,623   | 0.74%         | -                             | 0.74%         | -                         | 0.74%         | (349,183)                 | 0.91%         |
| Legislated                  | Incentive Awards (ABCs)          |  | 0.00%         | 91,000,000                    | 1.51%         | 96,000,000                | 1.59%         | -                         | 0.00%         |
| State Board                 | Limited English                  | 33,132,022   | 0.55%         | (2,291,248)                   | 0.51%         | -                         | 0.55%         | (97,743)                  | 0.25%         |
| Legislated                  | Low Wealth                       | 92,991,084   | 1.54%         | 5,000,000                     | 1.63%         | 2,500,000                 | 1.58%         | (585,581)                 | 1.53%         |
| Legislated                  | Mentor Pay                       | 8,100,140  | 0.13%         | -                             | 0.13%         | -                         | 0.13%         | -                         | 0.00%         |
| Legislated                  | School Technology                | 10,000,000   | 0.17%         | (5,000,000)                   | 0.08%         | -                         | 0.17%         | (1,086,406)               | 2.83%         |
| Legislated                  | Small County                     | 31,310,535   | 0.52%         | -                             | 0.52%         | 2,500,000                 | 0.56%         | (48,374)                  | 0.13%         |
| State Board                 | Staff Development                | 11,929,619   | 0.20%         | -                             | 0.20%         | -                         | 0.20%         | (605,297)                 | 1.58%         |
| Legislated                  | Targeted Teacher Bonus           | 2,890,000  | 0.05%         | -                             | 0.05%         | -                         | 0.05%         | -                         | 0.00%         |
| Joint                       | Teacher Assistants               | 347,708,536  | 5.76%         | (2,349,271)                   | 5.74%         | (27,652,565)              | 5.31%         | (5,656,567)               | 14.74%        |
| State Board                 | Testing                          | 8,769,829  | 0.15%         | (1,000,000)                   | 0.13%         | (1,000,000)               | 0.13%         | -                         | 0.00%         |
| Legislated                  | Textbooks                        | 81,013,956   | 1.34%         | (3,990,911)                   | 1.28%         | (3,990,911)               | 1.28%         | (4,319,848)               | 11.26%        |
| Legislated                  | Visiting International Faculty   |  | 0.00%         | -                             | 0.00%         | (1,000,000)               | -0.02%        | -                         | 0.00%         |
| State Board                 | Vocational Ed.                   | 300,882,720  | 4.98%         | (25,623,672)                  | 4.57%         | -                         | 4.99%         | (3,702,041)               | 9.65%         |
| <b>Sub-Total Classroom</b>  |                                  | <b>\$4,524,310,456</b>                             | <b>74.94%</b> | <b>\$75,635,769</b>           | <b>76.44%</b> | <b>\$86,804,254</b>       | <b>76.47%</b> | <b>(\$29,369,137)</b>     | <b>76.54%</b> |
| <b>OTHER</b>                |                                  |  |               |                               |               |                           |               |                           |               |
| State Board                 | ADM Reserve                      | \$6,000,000  | 0.10%         | \$0                           | 0.10%         | \$0                       | 0.10%         | \$0                       | 0.00%         |
| Legislated                  | Annual Leave                     | 25,852,075   | 0.43%         | -                             | 0.43%         | -                         | 0.43%         | -                         | 0.00%         |
| State Board                 | Assistance Teams                 | 2,726,140  | 0.05%         | 500,000                       | 0.05%         | 500,000                   | 0.05%         | -                         | 0.00%         |
| State Board                 | Charter School Reserve           | 2,405,501  | 0.04%         | (1,405,501)                   | 0.02%         | (1,405,501)               | 0.02%         | (580,616)                 | 1.51%         |
| Legislated                  | Children's Trust Fund            | 250,000  | 0.00%         | -                             | 0.00%         | -                         | 0.00%         | -                         | -             |
| Legislated                  | Literary Loan Fund               |  |               | (1,000,000)                   | -0.02%        | (1,000,000)               | -0.02%        | -                         | -             |
| Legislated                  | Personnel Services               | 109,822,487  | 1.82%         | (3,715,895)                   | 1.76%         | (3,715,895)               | 1.76%         | -                         | 0.00%         |
| Legislated                  | Tort Claims                      | 3,774,000  | 0.06%         | -                             | 0.06%         | -                         | 0.06%         | -                         | 0.00%         |
| <b>Sub-Total Other</b>      |                                  | <b>\$150,830,203</b>                               | <b>2.50%</b>  | <b>(\$5,621,396)</b>          | <b>2.41%</b>  | <b>(\$5,621,396)</b>      | <b>2.41%</b>  | <b>(\$580,616)</b>        | <b>1.51%</b>  |
| LEA Discretionary Reduction |                                  |  |               | \$ (42,000,000)               | -0.00698      | \$ (44,291,248)           | -0.007346     | \$ (38,381,480)           | 100.0%        |
| Total                       |                                  |  |               | \$ (19,077,345)               | 100%          | \$ (7,138,879)            | 100%          |                           |               |
| <b>Revised Budget</b>       |                                  |  |               | <b>\$ 6,017,691,217</b>       |               | <b>\$ 6,029,629,683</b>   |               |                           |               |