

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003**

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HOUSE DRH30445-LE-178A* (2/2)

Short Title: Small School System Supplemental Funding. (Public)

Sponsors: Representative Walend.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO MODIFY THE FORMULA FOR ALLOCATING SMALL SCHOOL SYSTEM SUPPLEMENTAL FUNDING.

The General Assembly of North Carolina enacts:

SECTION 1. Section 7.7 of S.L. 2003-284 reads as rewritten:

"SECTION 7.7.(a) Funds for Small School Systems. – Except as provided in subsection (b) of this section, the State Board of Education shall allocate funds appropriated for small school system supplemental funding ~~(i) to each county school administrative unit with an average daily membership of fewer than 3,175 students and~~ ~~(ii) to each county school administrative unit with an average daily membership from 3,175 to 4,000 students if the county in which the local school administrative unit is located has a county adjusted property tax base per student that is below the State adjusted property tax base per student and 4,000 or fewer students~~ if the total average daily membership of all local school administrative units located within the county is ~~from 3,175 to 4,000 students.~~ 4,000 or fewer students. The allocation formula shall:

- (1) Round all fractions of positions to the next whole position.
- (2) Provide five and one-half additional regular classroom teachers in counties in which the average daily membership per square mile is greater than four, and seven additional regular classroom teachers in counties in which the average daily membership per square mile is four or fewer.
- (3) Provide additional program enhancement teachers adequate to offer the standard course of study.
- (4) Change the duty-free period allocation to one teacher assistant per 400 average daily membership.

1 (5) Provide a base for the consolidated funds allotment of at least six
2 hundred fourteen thousand one hundred forty-eight dollars (\$614,148),
3 excluding textbooks for the 2003-2004 fiscal year and a base of six
4 hundred forty-seven thousand four hundred eighty-one dollars
5 (\$647,481) for the 2004-2005 fiscal year.

6 (6) Allot vocational education funds for grade 6 as well as for grades 7-12.

7 If funds appropriated for each fiscal year for small school system supplemental
8 funding are not adequate to fully fund the program, the State Board of Education shall
9 reduce the amount allocated to each county school administrative unit on a pro rata
10 basis. This formula is solely a basis for distribution of supplemental funding for certain
11 county school administrative units and is not intended to reflect any measure of the
12 adequacy of the educational program or funding for public schools. The formula is also
13 not intended to reflect any commitment by the General Assembly to appropriate any
14 additional supplemental funds for such county administrative units.

15 **SECTION 7.7.(b)** Nonsupplant Requirement. – A county in which a local school
16 administrative unit receives funds under this section shall use the funds to supplement
17 local current expense funds and shall not supplant local current expense funds. For the
18 2003-2005 fiscal biennium, the State Board of Education shall not allocate funds under
19 this section to a county found to have used these funds to supplant local per student
20 current expense funds. The State Board of Education shall make a finding that a county
21 has used these funds to supplant local current expense funds in the prior year, or the
22 year for which the most recent data are available, if:

23 (1) The current expense appropriation per student of the county for the
24 current year is less than ninety-five percent (95%) of the average of the
25 local current expense appropriations per student for the three prior
26 fiscal years; and

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

31 The State Board of Education shall adopt rules to implement this section.

32 **SECTION 7.7.(c)** Phase-Out Provisions. – ~~If a local school administrative unit
33 becomes ineligible for funding under this formula solely because of an increase in the
34 county adjusted property tax base per student of the county in which the local school
35 administrative unit is located, funding for that unit shall be phased out over a two year
36 period. For the first year of ineligibility, the unit shall receive the same amount it
37 received for the prior fiscal year. For the second year of ineligibility, it shall receive
38 one half of that amount.~~

39 If a local school administrative unit becomes ineligible for funding under this
40 formula solely because of an increase in the population of the county in which the local
41 school administrative unit is located, funding for that unit shall be continued for five
42 years after the unit becomes ineligible.

43 **SECTION 7.7.(d)** Definitions. – As used in this section:

- 1 (1) "Average daily membership" means within two percent (2%) of the
2 average daily membership as defined in the North Carolina Public
3 Schools Allotment Policy Manual, adopted by the State Board of
4 Education.
- 5 (2) ~~"County-adjusted property tax base per student" means the total
6 assessed property valuation for each county, adjusted using a weighted
7 average of the three most recent annual sales assessment ratio studies,
8 divided by the total number of students in average daily membership
9 who reside within the county.~~
- 10 (2a) "Local current expense funds" means the most recent county current
11 expense appropriations to public schools, as reported by local boards
12 of education in the audit report filed with the Secretary of the Local
13 Government Commission pursuant to G.S. 115C-447.
- 14 (3) ~~"Sales assessment ratio studies" means sales assessment ratio studies
15 performed by the Department of Revenue under G.S. 105-289(h).~~
- 16 (4) ~~"State-adjusted property tax base per student" means the sum of all
17 county-adjusted property tax bases divided by the total number of
18 students in average daily membership who reside within the State.~~
- 19 (4a) "Supplant" means to decrease local per student current expense
20 appropriations from one fiscal year to the next fiscal year.
- 21 (5) ~~"Weighted average of the three most recent annual sales assessment
22 ratio studies" means the weighted average of the three most recent
23 annual sales assessment ratio studies in the most recent years for which
24 county current expense appropriations and adjusted property tax
25 valuations are available. If real property in a county has been revalued
26 one year prior to the most recent sales assessment ratio study, a
27 weighted average of the two most recent sales assessment ratios shall
28 be used. If property has been revalued during the year of the most
29 recent sales assessment ratio study, the sales assessment ratio for the
30 year of revaluation shall be used.~~

31 **SECTION 7.7.(e)** Reports. – The State Board of Education shall report to the Joint
32 Legislative Education Oversight Committee prior to ~~May 1, 2004, May 1, 2005,~~ if it
33 determines that counties have supplanted funds.

34 **SECTION 7.7.(f)** Use of Funds. – Local boards of education are encouraged to use
35 at least twenty percent (20%) of the funds they receive pursuant to this section to
36 improve the academic performance of children who are performing at Level I or II on
37 either reading or mathematics end-of-grade tests in grades 3-8 and children who are
38 performing at Level I or II on the writing tests in grades 4 and 7. Local boards of
39 education shall report to the State Board of Education on an annual basis on funds used
40 for this purpose, and the State Board shall report this information to the Joint
41 Legislative Education Oversight Committee. These reports shall specify how these
42 funds were targeted and used to implement specific improvement strategies of each
43 local school administrative unit and its schools such as teacher recruitment, closing the

- 1 achievement gap, improving student accountability, addressing the needs of at-risk
2 students, and establishing and maintaining safe schools."
3 **SECTION 2.** This act becomes effective July 1, 2004.