



PUBLIC SCHOOLS OF NORTH CAROLINA

State Board of Education | Department of Public Instruction

Funding in Arrears

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S.L. 2023-134 Section 7.20

Report Requirements

- To develop a model to fund PSUs whose funding is based on ADM to be based on the actual ADM from the prior school year instead of projections for the upcoming school year.
- To include in the model a method to account for newly formed charter schools to ensure the charter schools receive adequate funding to operate before prior year ADM data is available or representative of the student population.
- To propose technical adjustments for public school funding to the State Board of Education for approval before submitting the model to the Director of the Budget, and the Fiscal Research Division.

Allotted Average Daily Membership (ADM)

Allotted ADM is the backbone of the State Public School Fund and the driver of individual public school unit local, state and federal budget.

It affects the budgeting of everything in the public school - student school assignment, capital projects, the number of teachers, instructional support, teacher assistants and other personnel needed, bus routes and instructional resources.

Current State Budgeted Allotted ADM

LEAs

Higher of :

(i) DPI projected ADM and

(ii) prior year Best 1 of 2

Charter/Lab schools

Projected ADM provided by the school administration capped at 20% growth budgeted growth >20% and new charters is budgeted in LEA ADM

Regional schools

ADM is budgeted in the LEAs in which the students reside

Residential schools

This schools are appropriated funds separately from other PSUs.

Current Initial Allotted ADM

ADM that is used in the funding formulas to allocate funds when the budget is passed.

LEAs

Higher of:

(i) DPI projected ADM and

(ii) prior year Best 1 of 2

Charter/Lab schools

Projected ADM provided by the school administration

Current Adjustments to Funding - LEAs

Funding based on Initial ADM is adjusted for actual.

The ADM and funding for new and high growth charter schools is included in the Allotted ADM of the respective LEAs.

The funding is transferred when the actual month 1 charter school ADM is collected.

This transfer occurs in early November

Current Adjustments to Funding - LEAs

Funding based on Initial ADM is adjusted for actual.

LEA funds are adjusted for the difference between their initial allotted ADM less charter reduction and the actual higher of months 1 and 2.

Reductions: if the higher of the first or second month ADM in a LEA is at least two percent (2%) or 100 students lower than the projected average daily membership used for allotments for the unit, the State Board of Education is required to reduce allotments for the LEA.

The reduction is only for half the difference between the actual ADM and the projected.

Only certain funding categories are reduced, impacting approximately 75% of the LEAs funding.

This reduction occurs in early December.

Current Adjustments to Initial Funding - LEAs

Increases: LEAs actual higher of the first or second month ADM is greater than the initial allotted ADM by at least 2% or 100 students, additional funding is provided.

Only certain funding categories are increased, impacting approximately 75% of the LEAs funding.

This reduction occurs in early December.

Current Adjustments to Funding – Charter and Lab Schools

Final funding is based on Month 1 actual ADM

Funding is provided at 100% of the per pupil equivalent of base funding for the LEA in which the charter is located.

Issues

- **Inconsistent treatment of PSUs re: funding**
- **Late budget adjustments. PSUs do not know their final funding until November/December of the current year. Creates uncertainty when recruiting staff and budgeting.**
- **Projections have become more uncertain since the increase in school choice and post pandemic, resulting in more adjustments.**
- **Charter schools are an increasing percentage of the SPSF and has outgrown the current model.**
- **Administration of the SPSF is complex and burdensome.**

Recommendation Budgeted ADM

Comprised of 3 components:

1. The actual month 2 ADM of the prior year all PSUs. (Allotted ADM)
2. The ADM of the projected growth above the allotted ADM for the individual PSUs that are projected to increase in ADM from the prior year. (ADM Contingency)
3. New charter schools (included in the ADM Contingency)

Recommendation Initial ADM – All PSUs

All PSUs are initially funded using prior year Month 2 actual ADM.

Recommendation

Adjustments to Funding

No adjustments to LEAs for new and growing charter schools

No reductions in the event that current year ADM is lower than allotted ADM (one year only)

All PSUs – increase funding at a dollar per ADM in the event that actual ADM is above allotted ADM

– funded from the ADM Contingency Reserve

- allocated in a flexible program report code (one year only)

Recommendation

New Charter and Lab Schools

- For a charter that was not in operation in the prior year, the allotted ADM is the ADM provided in the Ready to Open Report, as accepted by the Office of Charter Schools.
- For a Lab school that was not in operation in the prior year, the allotted ADM is the projected ADM provided by the UNC system administrator.
- These schools will receive final funding based on actual month 2 ADM.

Recommendation Funded ADM in the next year

The Budgeted ADM is reset to the actual of the prior year.

Base budget incorporates the prior year flexible funding for growth in to the appropriate line items.

Recommendation Excluded Funding

- **Exceptional Children Funds**
- **Limited English Proficient funds**
- **Driver Education Funds**
- **School Technology Funds**
- **Grants**