

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: Senate Bill 120 (First Edition)

SHORT TITLE: Fund Only One School System Per County

SPONSOR(S): Senator Rand

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES:					
GENERAL FUND EXPENDITURES (in millions):	(\$11.0)	(\$11.2)	(\$11.5)	(\$11.9)	(\$12.2)
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Local School Administrative Units (Local Education Agencies; LEAs), NC State Board of Education (Board)					
EFFECTIVE DATE: July 1, 2007					

BILL SUMMARY: As the title indicates, the bill directs the State Board of Education (Board) to allot State funds for public schools to local school administrative units (local education agencies, or LEAs) *as if there were only one LEA per county*. To this end, the bill directs the Board to change formulas that allocate funds on a “per LEA” basis (so-called “base allotments”) to formulas that allocate funds on a per county basis. Formulas allocating funds solely on a “per average daily membership (ADM)” or “per headcount” basis will remain unchanged, except for some technical adjustments explained below.

The bill accounts for several types of special county circumstances in order to ensure that the new allotment approach does not have unintended effects on existing county LEAs that cross county lines. If a city LEA is located in more than one county, the Board must include in each respective county’s ADM, the ADM of that county’s students attributable to the city LEA. If a county contains more than one LEA, the bill directs the Board to divide the funding allotment between the LEAs based on the units’ respective ADM. Finally, the bill specifies that the act does not apply to

allotments in the following units: Nash-Rocky Mount Schools, Edgecombe County Schools, Cleveland County Schools, or Gaston County Schools. This exemption ensures that the bill does not adversely affect these counties, each of which already effectively has one LEA per county. At the same time, the exemption does not confer any benefit on these counties.

ASSUMPTIONS AND METHODOLOGY:

Affected Counties

Currently, eleven NC counties contain multiple LEAs. Fifteen city LEAs exist in these counties. The counties and LEAs are as follows:

Counties with Multiple LEAs (FY 2006-07)

County	LEAs
Buncombe	Buncombe County, Asheville City
Cabarrus	Cabarras County, Kannapolis City
Catawba	Catawba County, Hickory City, Newton-Conover City
Columbus	Columbus County, Whiteville City
Davidson	Davidson County, Lexington City, Thomasville City
Halifax	Halifax County, Roanoke Rapids City, Weldon City
Iredell	Iredell-Statesville, Mooresville City
Orange	Orange County, Chapel Hill-Carrboro City
Randolph	Randolph County, Asheboro City
Sampson	Sampson County, Clinton City
Surry	Surry County, Elkin City, Mount Airy City

Savings Produced by Reducing the Number of Base Allotments

Several State funding allotments for public schools, such as the Vocational Education allotment, provide funds to LEAs through a combination of: i) a base allotment that is the same for each LEA, and ii) an allotment that is graduated on the basis of each LEA’s ADM. Since each LEA receives the base component of these allotments, multiple-LEA counties receive multiple bases.¹

The bill directs the Board to change allotment formulas that allocate funds on a per LEA basis to formulas that allocate funds on a per county basis. In so doing, the bill establishes that no county, regardless of the number of LEAs it contains, will receive more than one base allotment in a given

¹ Note that the total ADM-based portion of these allotments for a given county would be the same regardless of how many LEAs the county contains. The ADM-based portion is simply prorated among LEAs when there is more than one in a county.

allotment category. The bill thus eliminates a total of fifteen base allotments, one per city LEA, in each allotment category that contains a base component. The table on the following page lists these allotment categories, and the savings to the State associated with each of them.

Estimated Savings in FY 2007-08 from Eliminated Base Allotments

Allotment Category	Base Per City LEA	Statewide (15 City LEAs)
Central Office Administration	\$ 360,000	\$ 5,400,000
Vocational Education - Months of Employment (MOE)	266,300	3,994,500
Vocational Education - Program Support	10,000	150,000
Children with Disabilities (Preschool)	50,626	759,390
Limited English Proficiency (LEP)	26,044	364,616
Professional Development	24,141	362,115
Total	\$ 737,111	\$ 11,030,621

Notes:

1. The amounts listed in the “Base Per City LEA” column are the amounts, formerly allotted to each city LEA, that will be reduced from State allotments. Instead of these amounts, each LEA in a multiple-LEA county now will receive only a share of the single base amount in each category allotted to each county. Each base amount will be divided equally among the LEAs in a given county. For example, in a county containing two LEAs, each LEA will receive one half of the vocational education MOE base amount ($\$266,300/2 = \$133,150$).
2. Weldon City is not eligible for the LEP allotment; thus the total in the Statewide column reflects only 14 city LEAs.

To estimate the savings associated with the eliminated base allotments in FY 2008-09 and beyond, the analysis assumes an annual 3% growth in public school salaries and benefits, which affects the annual cost of all the base allotments except Central Office Administration and Vocational Education – Program Support. The analysis also assumes that all other factors used to calculate the base allotments will remain unchanged.

SOURCES OF DATA: NC Department of Public Instruction (NCDPI)

TECHNICAL CONSIDERATIONS:

Board policy regarding merger of LEAs² provides for a three-year phase out of the duplicative base allotments listed in the table above. To the extent that any of the fifteen city LEAs were to

² NC State Board of Education Allotment Policy Manual, 2005-06
<http://www.ncpublicschools.org/docs/fbs/allotments/general/2005-06policymanual.pdf>

merge with another LEA in FY 2007-08, the total State savings in FY 2007-08 therefore would be less than is estimated above. The full estimated savings would be realized eventually, but their full realization would be delayed.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Adam Levinson

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: February 23, 2007



Signed Copy Located in the NCGA Principal Clerk's Offices