

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003**

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HOUSE BILL 1361*

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

Sponsors: Representatives Walend; Crawford, Rayfield, and Starnes.

Referred to: Rules, Calendar, and Operations of the House.

May 11, 2004

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.
- (5) Provide a base for the consolidated funds allotment of at least six hundred fourteen thousand one hundred forty-eight dollars (\$614,148), excluding textbooks for the 2003-2004 fiscal year and a base of six

1 hundred forty-seven thousand four hundred eighty-one dollars
2 (\$647,481) for the 2004-2005 fiscal year.

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

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

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

- 20 (1) The current expense appropriation per student of the county for the
21 current year is less than ninety-five percent (95%) of the average of the
22 local current expense appropriations per student for the three prior
23 fiscal years; and
24 (2) The county cannot show: (i) that it has remedied the deficiency in
25 funding or (ii) that extraordinary circumstances caused the county to
26 supplant local current expense funds with funds allocated under this
27 section.

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

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

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

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

- 41 (1) "Average daily membership" means within two percent (2%) of the
42 average daily membership as defined in the North Carolina Public
43 Schools Allotment Policy Manual, adopted by the State Board of
44 Education.

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

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

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

42 **SECTION 2.** This act becomes effective July 1, 2004.