

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 1035*

Short Title: Small School System Supplemental Funding.

(Public)

Sponsors: Representative Walend.

Referred to: Appropriations.

March 27, 2007

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE ADDITIONAL FUNDS FOR SMALL SCHOOL
SYSTEM SUPPLEMENTAL FUNDING.

The General Assembly of North Carolina enacts:

SECTION 1.(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 if the total average daily membership of all local school administrative units located within the county is from 3,175 to 4,000 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 one million one hundred ten thousand four hundred forty-four dollars (\$1,110,444) excluding textbooks for the 2007-2008 fiscal year and a base of one million one hundred ten thousand four hundred forty-four dollars (\$1,110,444) for the 2008-2009 fiscal year.

1 (6) Allot vocational education funds for grade 6 as well as for grades 7-12.
2 If funds appropriated for each fiscal year for small school system supplemental funding
3 are not adequate to fully fund the program, the State Board of Education shall reduce
4 the amount allocated to each county school administrative unit on a pro rata basis. This
5 formula is solely a basis for distribution of supplemental funding for certain county
6 school administrative units and is not intended to reflect any measure of the adequacy of
7 the educational program or funding for public schools. The formula is also not intended
8 to reflect any commitment by the General Assembly to appropriate any additional
9 supplemental funds for such county administrative units.

10 **SECTION 1.(b)** Nonsupplant Requirement. – A county in which a local
11 school administrative unit receives funds under this section shall use the funds to
12 supplement local current expense funds and shall not supplant local current expense
13 funds. For the 2007-2009 fiscal biennium, the State Board of Education shall not
14 allocate funds under this section to a county found to have used these funds to supplant
15 local per student current expense funds. The State Board of Education shall make a
16 finding that a county has used these funds to supplant local current expense funds in the
17 prior year, or the year for which the most recent data are available, if:

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

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

27 **SECTION 1.(c)** Phase-Out Provisions. – If a local school administrative unit
28 becomes ineligible for funding under this formula because of (i) an increase in the
29 population of the county in which the local school administrative unit is located or (ii)
30 an increase in the county-adjusted property tax base per student of the county in which
31 the local school administrative unit is located, funding for that unit shall be continued
32 for seven years after the unit becomes ineligible.

33 **SECTION 1.(d)** Definitions. – As used in this section:

- 34 (1) "Average daily membership" means within two percent (2%) of the
35 average daily membership as defined in the North Carolina Public
36 Schools Allotment Policy Manual adopted by the State Board of
37 Education.
- 38 (2) "County-adjusted property tax base per student" means the total
39 assessed property valuation for each county, adjusted using a weighted
40 average of the three most recent annual sales assessment ratio studies,
41 divided by the total number of students in average daily membership
42 who reside within the county.
- 43 (2a) "Local current expense funds" means the most recent county current
44 expense appropriations to public schools, as reported by local boards

1 of education in the audit report filed with the Secretary of the Local
2 Government Commission pursuant to G.S. 115C-447.

3 (3) "Sales assessment ratio studies" means sales assessment ratio studies
4 performed by the Department of Revenue under G.S. 105-289(h).

5 (4) "State-adjusted property tax base per student" means the sum of all
6 county-adjusted property tax bases divided by the total number of
7 students in average daily membership who reside within the State.

8 (4a) "Supplant" means to decrease local per student current expense
9 appropriations from one fiscal year to the next fiscal year.

10 (5) "Weighted average of the three most recent annual sales assessment
11 ratio studies" means the weighted average of the three most recent
12 annual sales assessment ratio studies in the most recent years for which
13 county current expense appropriations and adjusted property tax
14 valuations are available. If real property in a county has been revalued
15 one year prior to the most recent sales assessment ratio study, a
16 weighted average of the two most recent sales assessment ratios shall
17 be used. If property has been revalued during the year of the most
18 recent sales assessment ratio study, the sales assessment ratio for the
19 year of revaluation shall be used.

20 **SECTION 1.(e)** Reports. – The State Board of Education shall report to the
21 Joint Legislative Education Oversight Committee prior to May 1 of each fiscal year if it
22 determines that counties have supplanted funds.

23 **SECTION 1.(f)** Use of Funds. – Local boards of education are encouraged
24 to use at least twenty percent (20%) of the funds they receive pursuant to this section to
25 improve the academic performance of children who are performing at Level I or II on
26 either reading or mathematics end-of-grade tests in grades 3-8 and children who are
27 performing at Level I or II on the writing tests in grades 4 and 7. Local boards of
28 education shall report to the State Board of Education on an annual basis on funds used
29 for this purpose, and the State Board shall report this information to the Joint
30 Legislative Education Oversight Committee. These reports shall specify how these
31 funds were targeted and used to implement specific improvement strategies of each
32 local school administrative unit and its schools such as teacher recruitment, closing the
33 achievement gap, improving student accountability, addressing the needs of at-risk
34 students, and establishing and maintaining safe schools.

35 **SECTION 2.** There is appropriated from the General Fund to the
36 Department of Public Instruction the sum of ten million dollars (\$10,000,000) for the
37 2007-2008 fiscal year and the sum of ten million dollars (\$10,000,000) for the
38 2008-2009 fiscal year to provide additional funds for small school system supplemental
39 funding.

40 **SECTION 3.** This act becomes effective July 1, 2007.