

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE BILL 1441

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

Sponsors: Senators Snow; Allran, Apodaca, Berger of Franklin, Brown, East, Jones, Kerr, Preston, Queen, and Tillman.

Referred to: Appropriations/Base Budget.

March 26, 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

1 base of one million one hundred ten thousand four hundred forty-four
2 dollars (\$1,110,444) for the 2008-2009 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 funding
5 are not adequate to fully fund the program, the State Board of Education shall reduce
6 the amount allocated to each county school administrative unit on a pro rata basis. This
7 formula is solely a basis for distribution of supplemental funding for certain county
8 school administrative units and is not intended to reflect any measure of the adequacy of
9 the educational program or funding for public schools. The formula is also not intended
10 to reflect any commitment by the General Assembly to appropriate any additional
11 supplemental funds for such county administrative units.

12 **SECTION 1.(b)** Nonsupplant Requirement. – A county in which a local
13 school administrative unit receives funds under this section shall use the funds to
14 supplement local current expense funds and shall not supplant local current expense
15 funds. For the 2007-2009 fiscal biennium, the State Board of Education shall not
16 allocate funds under this section to a county found to have used these funds to supplant
17 local per student current expense funds. The State Board of Education shall make a
18 finding that a county has used these funds to supplant local current expense funds in the
19 prior year, or the 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 1.(c)** Phase-Out Provisions. – If a local school administrative unit
30 becomes ineligible for funding under this formula because of (i) an increase in the
31 population of the county in which the local school administrative unit is located or (ii)
32 an increase in the county-adjusted property tax base per student of the county in which
33 the local school administrative unit is located, funding for that unit shall be continued
34 for seven years after the unit becomes ineligible.

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

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

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

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

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

37 **SECTION 2.** There is appropriated from the General Fund to the
38 Department of Public Instruction the sum of ten million dollars (\$10,000,000) for the
39 2007-2008 fiscal year and the sum of ten million dollars (\$10,000,000) for the
40 2008-2009 fiscal year to provide additional funds for small school system supplemental
41 funding.

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