

Public School Funding And Policies Are Major Focus In Compromise Budget

By Adam Pridemore for NCASA

Late Monday evening, the General Assembly released its compromise [2017-2019 spending plan](#). The budget is set to be given final approval by the House and Senate later this week, and as a compromise bill, cannot be amended. The budget spends \$23 billion, a 3% spending increase over the previously enacted 2016-2017 budget. The budget provides over \$9 billion in funding for K-12 schools, an increase of 3.5%. As reflected below, highlights of the budget include a new principal salary schedule, school personnel compensation increases, a \$7 million central office allotment cut, the inclusion of a new school choice plan – Education Savings Accounts – and the elimination of retiree health benefits for new hires on or after January 1, 2021.

Compensation and Benefit highlights in the budget include the following:

- \$35.4 million dollars in new dollars for **school-based administrator compensation** increases in 2017-2018, rising to \$40.6 million in 2018-2019. Creates a new **Principal Salary** schedule which places principals on a schedule based on average daily membership and not meeting, meeting or exceeding school growth. Increases **Assistant Principal salaries** by tying their pay to the teacher schedule, plus 17%. To read more about the new salary structures and bonus programs, please click [here](#).
- \$101.7 million in 2017-2018 for an average 3.3% **teacher salary increase**. Provides \$372.6 million in 2018-2018 for an average 9.6% increase for teachers over two years. Provides a **\$385 bonus** for teachers with 25+ years of experience.
- \$700,000 in recurring funds for **salary supplements for highly qualified teacher graduates**. These graduates receive a salary supplement if they are teaching in a low performing school, are licensed in a special education or a Science, Technology, Engineering, and Mathematics (STEM) field, or are considered a highly qualified graduate.
- Provides a \$1,000 raise for **central office personnel and non-certified school personnel**.
- Allocates \$16.9 million to increase the average rate of pay for **school bus drivers**.
- Provides **3 Bonus Leave** days for State and locally supported full-time employees.
- Provides a 1% **cost-of-living increase for retirees** of the Teachers' and State Employees' Retirement System.
- Sets **employer contribution rate for retirement** of 17.13%.
- **Eliminates retiree medical benefits** for new hires on or after January 1, 2021.
- Provides \$25.3 million in non-recurring funds for a new **Math and Reading Performance Bonus Program**. The bonus program is for teachers in grades 4 through 8 and a reading bonus program for teachers in grades 4 and 5. The programs will provide \$2,150 bonuses to the top 25% of teachers Statewide and

- \$2,150 bonuses to the top 25% of teachers within each Local Education Agency (LEA) based on Education Value-Added Assessment System (EVAAS) scores.
- Continues through 2017-2019 those bonus program established under last year's budget for qualifying third grade, AP/IB and CTE teachers.

Funding highlights include the following:

- \$31.9 million in recurring funds to account for a net **ADM increase** of 9,120.
- \$30 million in recurring lottery proceeds in 2017-2018 and \$75 million in recurring lottery proceeds in 2018-2019 in the **Needs-Based School Capital Fund** which supplements the already \$100 million earmarked from the lottery for school construction.
- \$450,000 in 2017-2018 and \$3 million in 2018-2019 establish the **North Carolina Personal Education Savings Account Program**. The program will create scholarship grants for eligible children with disabilities which may be used for qualifying educational expenses including nonpublic school tuition. Parents of special education children could receive up to \$9,000 per year in a personal education account to be used for special education educational expenses, including tuition and other educational services. Funds provided during the first year of the biennium will be used to establish the program, and funds provided in the second year of the biennium will be used for awards, with up to \$250,000 available for administration.
- \$11.3 million in non-recurring funds for **textbooks and digital materials**.
- \$6.3 million in recurring funds for **Children with Disabilities** to increase the funding cap for children with disabilities allotment from 12.5% to 12.75%.
- \$7 million reduction in funds to **the central office allotment** in 2017-2018, and \$11 million in 2018-2019.
- \$3.2 million **Management Flexibility Reduction at DPI** in 2017-2018, and a \$7.3 million reduction in 2018-2019.
- \$2.2 million reduction to **Cooperative Innovative High School** funding. Reduces all CIHS allotments from around \$310,000 to \$200,000 each.
- \$19 million in non-recurring funds in 2017-2018 and \$10 million in non-recurring funds in 2018-2019 for implementation of the **School Business System Modernization Plan**.
- \$2.4 million in recurring funds for the **Digital Learning Plan**.
- \$700,000 in recurring and \$3.5 million in non-recurring funds for the **Sixth and Seventh Grade Career and Technical Education Grant Program**. This program awards competitive grants to school districts to expand CTE programs to sixth and seventh grade students.
- \$2 million in recurring funds to establish the budget for the transfer of the **Education and Workforce Innovation Program** from the Officer of Governor to DPI.
- \$700,000 in recurring funds to support ten exempt **positions for the Office of State Superintendent**.
- \$200,000 in non-recurring funds for the **Reading Improvement Commission**, charged with reviewing and making recommendations on best practices for public schools in

- grades 4-12 to ensure students complete high school with literacy skills necessary for college and career readiness.
- \$3 million in recurring funds in 2017-2018 for **NC Pre-K** to serve an additional 1,725 children, and \$6.1 million in recurring funds in 2018-2019 to serve an additional 3,525 children.
 - \$3.5 million in recurring funds to **Smart Start Reading Initiative** in 2017-2108 and \$7 million in 2018-2019.
 - \$250,000 in recurring funds for **Early Childhood Education**.
 - \$200,000 in recurring funds for **Future Ready Students**.
 - \$300,000 in recurring funds for the **NC Center for the Advancement of Teaching (NCCAT)**.
 - \$245,000 in recurring funds to **reimburse the initial teacher licensure application** fee for certain first time applicants. Mirrors the Senate’s budget.
 - \$80,000 in additional recurring funds for the **Principal Preparation Grants Program**.
 - \$1,000,000 in recurring funds for **New Teacher Support Program**, a program to support new teachers across the State through training and one-on-one coaching.
 - \$278,500 in recurring funds to establish the **Future Teachers of North Carolina** program for the purpose of developing curricula and providing professional development for high school teachers who will teach courses that encourage high-achieving high school students to consider teaching as a profession.
 - \$450,000 in 2017-2018 and \$6 million in 2018-2019 from the NC Education Endowment Fund to re-establish the **Teaching Fellows Program**, providing forgivable loans up to \$8,250 per year for up to 4 years to qualifying teachers in special education and STEM licensure areas. The Senate’s budget also contained a provision re-establishing the Teaching Fellows Program
 - \$930,000 in recurring funds and \$1 million in non-recurring funds for **UNC Teacher and Principal Preparation Program Lab Schools**.

Full funding highlights of the compromise budget can be seen in the House money report accompanying the budget [here](#).

A comparison chart, compiled by DPI, of the Governor’s proposed budget, the Senate’s proposed budget, House proposed budget and the final compromise budget can be seen [here](#).

In addition to funding changes for the 2018-2019 fiscal year, the House also released a number of law and policy changes that will be found in the budget, called “special provisions.” Highlights of the special provisions included in the House budget are:

- **Clarify Base Budget Definition (Voucher Expansion)** – Provides for annual \$10 million increases to the Opportunity Scholarship Grant (Vouchers) Fund Reserve over the next 10 years, from the current \$34.9 million for 2016-2017 to topping out at an annual funding level of \$144,840,000 by 2026-2027. The budget directs in future years for the Director of the Budget to include these voucher appropriation increases in the base budget. The provision mirrors a provision in the Senate budget.
- **School Performance Grades/ESSA Compliance** – Provides that there will be one accountability system for the purposes of state and federal requirements. Provides

additional indicators in the calculation of A-F grades in compliance with ESSA requirements. Does **not** alter current 80/20 grade calculation. Does **not** eliminate 15-point scale in effect until 2019-2020.

- **Pay-As-You-Go Capital and Infrastructure Fund** – Creates the State Capital and Infrastructure Fund that will utilize debt service saving for the purpose of additional debt service obligations, capital improvements, economic development, and early debt repayment for allowable purposes that would include public school facility construction and renovation.
- **Prohibit Transfer of Limited English Proficiency Funds** – Prohibits the transfer of funds out of the limited English proficiency allotment category.
- **Prohibit Transfer of Textbooks and Digital Resources Funds** – Prohibits the transfer of funds out of the textbooks and digital resources allotment category.
- **Allotment Transfer Report** – Requires LEAs to report on each allotment transfer that increased or decreased the initial allotment by more than 5%, and specifies the information to be reported.
- **Class Size Flexibility For Current Pilot Programs and Dual Language Immersion Classes** – Provides that requirements for K-3 class size does not apply to dual language immersion classes.
- **Read to Achieve Diagnostic Changes** – Requires the State Board of Education to approve three valid, reliable, formative, and diagnostic reading assessment instruction for selection by LEAs.
- **Joint Legislative Task Force On Education Finance Reform** – Creates the Joint Legislative Task Force on Education Finance Reform to study various weighted student formula funding models and develop a new funding model for K-12 schools based on a weighted student formula.
- **K-3 Class Size Requirements/Building Capacity Report** – Requires LEAs to report on any limitations on capacity of school facilities for each school in the LEA that make it impracticable for the school to meet individual class size requirements for students in kindergarten through third grade without a school facility expansion.
- **North Carolina Innovative School District** – Makes various changes to last year's Achievement School District, including renaming the program "North Carolina Innovative School District" (ISD). Provides that if a school district transfers a school to the ISD, the LEA may create an innovation zone for 3 continually low-performing schools in that district or all low-performing schools in the district if the LEA has more than 35% of its schools identified as low-performing. Provides that a low-performing school in an innovation zone that does not exceed growth for two of the last five consecutive years be placed in the ISD.
- **Charter School Transportation Grant Pilot Program** – Provides \$2.5 million for qualifying charter schools to pay for up to 65% of student transportation costs incurred by the school. To qualify, the charter must have an enrollment of 50% of its students residing in households with an income level not in excess of the amount required for a student to qualify for the federal free or reduced-price lunch program in a semester of the school year.

- **Report on Cursive Writing and Multiplication Tables** – Requires the State Board of Education and DPI to report on the measures taken by each LEA to implement cursive writing and memorization of the multiplication tables requirements.
- **School Bus Driver Compensation and Employment Study** – Directs DPI to study the compensation, retention, and recruitment of school bus drivers, and to report the findings by April 1, 2018.

All special provisions included in the budget can be found [here](#).

Upon final approval of the budget by the General Assembly, the budget will be sent to the Governor for his signature or veto. The Governor has 10 days to veto the budget, sign it or let it become law without his signature. Legislative leaders have expressed their hope to have the new budget enacted into law prior to the July 1 start of the new fiscal year.