



STATE OF NORTH CAROLINA  
OFFICE OF THE GOVERNOR  
20301 MAIL SERVICE CENTER • RALEIGH, NC 27699-0301

BEVERLY EAVES PERDUE  
GOVERNOR

May 15, 2009

Dr. Joseph C. Conaty  
Director, Academic Improvement and Teacher Quality Programs  
Office of Elementary and Secondary Education  
U.S. Department of Education  
400 Maryland Avenue, S.W., Room 3E314  
Washington, D.C. 20202

Dear Dr. Conaty:

I am writing to explain North Carolina's need to access 90% of the State Fiscal Stabilization Fund's (SFSF) Government Services allocation in FY 2008-09 due to exceptional circumstances.

North Carolina has gone through a series of reductions this fiscal year to ensure we meet our constitutional mandate to balance the budget on June 30, 2009. Specifically, we implemented 2% hold backs in September 2008; raised it to 4% in November 2008; increased it to 7% in January 2009; and finally increased to 9% (for most agencies) in February 2009.

On April 9, 2009, in anticipation of an increased budget shortfall for FY 2008-09, the Office of State Budget and Management (OSBM) directed additional budget management restrictions that included freezing purchases of goods and services, travel, and the filling of vacant positions. Only limited in-state travel and filling vacant positions are allowed for direct classroom instruction needs and critical public health and public safety services. OSBM has assumed (based on analysis from past freezes) that this would net an additional 1% to 2% reversions from agencies. This would put reversions for most agencies at 11% for FY 2008-09.

At the end of April, the consensus shortfall estimate for FY 2008-09 increased from \$2.2 billion to \$3.2 billion. This is historic for North Carolina. In aggregate terms, our revenues are estimated to be 15.2% less than our original projection and 10.8% less than actual revenues collected in FY 2007-08. The largest previous year-to-year decline in revenues was -5%. April 15 final payments were down 40%. The largest decline in our records for final payments is -19%. In order to meet this additional \$1 billion shortfall, we developed a plan that includes: 1) utilizing the state's Rainy Day fund, 2) implementing a flexible furlough plan which reduces all employee pay by an annualized 0.5% to be deducted in May and/or June paychecks, 3) exhausting any available special fund and trust fund cash balances, and 4) utilizing \$359 million of SFSF funds.

Dr. Joseph C. Conaty  
May 15, 2009  
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The SFSF Phase One application process provides a maximum of 67% of the SFSF in the initial application process. Both the NC Community College System and the University of North Carolina System have experienced enrollment growth in FY 2008-09 over FY 2007-08, while the State has mandated spending reductions in FY 2008-09 due to the extreme revenue shortfall. North Carolina has mitigated the spending reductions in Education as much as possible; however, in order to meet payroll needs for the Institutes of Higher Education in May and June 2009, North Carolina is requesting the use of \$127 million from the Education Stabilization Fund. This request is well within the 67% of the Education Stabilization Fund allocation for North Carolina.

Due to the extreme and historic revenue shortfall we are experiencing in FY 2008-09, I am requesting that North Carolina receive 90% of the Government Services Fund (\$232 million of the \$258 million allocation) in order to support May and June payroll in the Department of Correction and Court System. Without these additional funds, North Carolina would not have the cash necessary to meet payroll obligations.

On May 12, 2009 OSBM learned that obligations of SFSF may only be made from the starting date of the grant award. Since these funds are necessary in May to meet the State's end-of-month payroll obligations, I immediately directed OSBM to work with the Office of Economic Recovery and Investment (OERI) to finalize the SFSF application. I appreciate the assistance of the USED staff in reviewing North Carolina's application to assist us in meeting our immediate need.

Thank you for your consideration of my request to release 90% of North Carolina's Government Services Fund allocation in FY 2008-09 as I take the necessary steps to fulfill my constitutional obligation to balance the budget on June 30, 2009.

Sincerely,

  
Beverly Eaves Perdue

J.C. approved 5-19-09

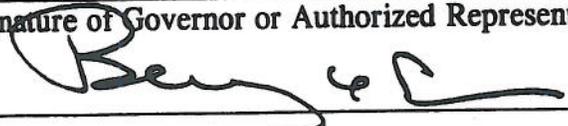
**STATE FISCAL STABILIZATION FUND APPLICATION**

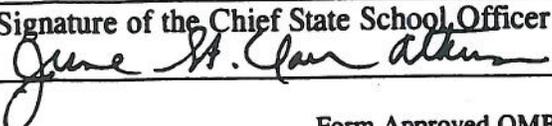
**PART 1: APPLICATION COVER SHEET  
(CFDA Nos. 84.394 and 84.397)**

<b>Legal Name of Applicant (Office of the Governor):</b> Office of the Governor Beverly Eaves Perdue	<b>Applicant's Mailing Address:</b>  20301 Mail Service Center Raleigh, NC 27699-0301
<b>State Contact for the Education Stabilization Fund (CFDA No. 84.394)</b>  Name: Charles E. Perusse  Position and Office: State Budget Director  Contact's Mailing Address: 20320 Mail Service Center Raleigh, NC 27699-0320  Telephone: (919) 807-4700 Fax: (919) 733-0640 E-mail address: Charles.Perusse@osbm.nc.gov	<b>State Contact for the Government Services Fund (CFDA No. 84.397)</b> <i>(Enter "same" if the same individual will serve as the contact for both the Education Stabilization Fund and the Government Services Fund.)</i> Name: Same  Position and Office:  Contact's Mailing Address:   Telephone: Fax: E-mail address:

To the best of my knowledge and belief, all of the information and data in this application are true and correct.

<b>Governor or Authorized Representative of the Governor (Printed Name):</b> Beverly Eaves Perdue, Governor	<b>Telephone:</b> (919) 733-2120
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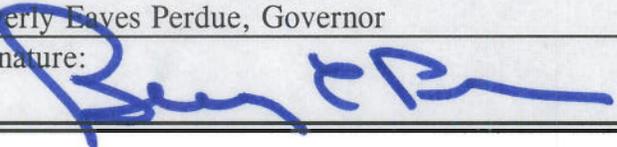
<b>Signature of Governor or Authorized Representative of the Governor:</b> 	<b>Date:</b> 11/16/10
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<b>Recommended Statement of Support from the Chief State School Officer (Optional):</b>	
The State educational agency will cooperate with the Governor in the implementation of the State Fiscal Stabilization Fund program.	
<b>Chief State School Officer (Printed Name):</b> June Atkinson, Superintendent	<b>Telephone:</b> (919) 807-3430
<b>Signature of the Chief State School Officer:</b> 	<b>Date:</b> 11/16/10

## PART 2: EDUCATION REFORM ASSURANCES

The Governor or his/her authorized representative assures the following:

- (1) The State will take actions to improve teacher effectiveness and comply with section 1111(b)(8)(C) of the Elementary and Secondary Education Act of 1965, as amended (ESEA) (20 U.S.C. 6311(b)(8)(C)) in order to address inequities in the distribution of highly qualified teachers between high- and low-poverty schools, and to ensure that low-income and minority children are not taught at higher rates than other children by inexperienced, unqualified, or out-of-field teachers. (*Achieving Equity in Teacher Distribution Assurance*)
- (2) The State will establish a longitudinal data system that includes the elements described in section 6401(e)(2)(D) of the America COMPETES Act (20 U.S.C. 9871(e)(2)(D)). (*Improving Collection and Use of Data Assurance*)
- (3) The State will –
  - (3.1) Enhance the quality of the academic assessments it administers pursuant to section 1111(b)(3) of the ESEA (20 U.S.C. 6311(b)(3)) through activities such as those described in section 6112(a) of the ESEA (20 U.S.C. 7301a(a)); (*Improving Assessments Assurance*)
  - (3.2) Comply with the requirements of paragraphs (3)(C)(ix) and (6) of section 1111(b) of the ESEA (20 U.S.C. 6311(b)) and section 612(a)(16) of the Individuals with Disabilities Education Act (IDEA) (20 U.S.C. 1412(a)(16)) related to the inclusion of children with disabilities and limited English proficient students in State assessments, the development of valid and reliable assessments for those students, and the provision of accommodations that enable their participation in State assessments; (*Inclusion Assurance*) and
  - (3.3) Take steps to improve State academic content standards and student academic achievement standards consistent with section 6401(e)(1)(A)(ii) of the America COMPETES Act. (*Improving Standards Assurance*)
- (4) The State will ensure compliance with the requirements of section 1116(b)(7)(C)(iv) and section 1116(b)(8)(B) of the ESEA with respect to schools identified under these sections. (*Supporting Struggling Schools Assurance*)

Governor or Authorized Representative of the Governor (Printed Name):	
Beverly Eaves Perdue, Governor	
Signature:	Date:
	5/13/05

### PART 3: INITIAL BASELINE DATA FOR EDUCATION REFORM ASSURANCES

#### SPECIAL NOTES:

- In completing this portion of the application, please refer to Appendix B – Instructions for Part 3: Initial Baseline Data for Education Reform Assurances.
- The data described in Appendix B for two of the education reform assurances in Part 2 of the application – the Improving Assessments Assurance and the Improving Standards Assurance – are the most current available baseline data for these areas. Thus, the Department is not inviting States to submit additional information with respect to these two assurances.
- The Governor or his/her authorized representative should confirm whether the initial baseline data sources described in Appendix B for the four assurances referenced below – Achieving Equity in Teacher Distribution; Improving Collection and Use of Data; Improving State Academic Content and Student Achievement Standards; and Supporting Struggling Schools – reflect the State’s current status with respect to these assurances. A State that confirms the use of these initial baseline data sources does not have to submit additional baseline data with this application. If a State elects not to use the identified data sources for one or more of these four assurances, it must submit other initial baseline data for that assurance.

The Governor or his/her authorized representative confirms that the data sources that are currently available to the Department and described in Appendix B are a reasonable reflection of the current status of the State with respect to the following education reform assurances that he/she provided in Part 2 of the Application (*check only those assurances for which the State accepts the data described in Appendix B*):

Achieving Equity in Teacher Distribution Assurance.

Improving Collection and Use of Data Assurance.

Improving Standards Assurance.

Supporting Struggling Schools Assurance.

Governor or Authorized Representative of the Governor (Printed Name):

Beverly Eaves Perdue, Governor

Signature:

Date:

5/13/09

**PART 4, SECTION A: MAINTENANCE-OF-EFFORT (MOE) ASSURANCE**

SPECIAL NOTES:

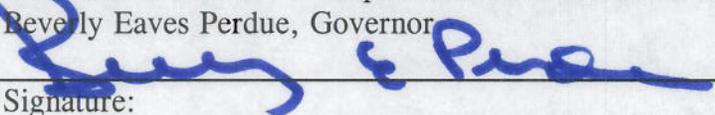
- In completing Part 4 of the application, please refer to Appendix C – Instructions for Part 4: Maintenance of Effort.
- The Governor or his/her authorized representative should check only those MOE requirements that he or she anticipates the State will meet. If the Governor or his/her authorized representative anticipates that the State will be unable to meet one or more of the requirements, he or she must sign the additional waiver assurance in Part 4, Section B.
- For the purpose of determining MOE, State support for public institutions of higher education (IHEs) must not include support for capital projects or for research and development or tuition and fees paid by students.

The Governor or his/her authorized representative assures the following (*check appropriate assurances that apply*):

- In FY 2009, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.
- In FY 2010, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.
- In FY 2011, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.
- In FY 2009, the State will maintain State support for public IHEs at least at the level of such support in FY 2006.
- In FY 2010, the State will maintain State support for public IHEs at least at the level of such support in FY 2006.
- In FY 2011, the State will maintain State support for public IHEs at least at the level of such support in FY 2006.

---OR---

\_\_\_\_\_ To the best of his/her knowledge and based on the best available data, the State will be unable to meet any of the above-referenced maintenance-of-effort requirements.

Governor or Authorized Representative of the Governor (Printed Name): Revelly Eaves Perdue, Governor	
Signature: 	Date: 5/13/09

**PART 4, SECTION B: MAINTENANCE-OF-EFFORT WAIVER ASSURANCE**

**SPECIAL NOTES:**

- If a State anticipates that it will be unable to comply with one or more of the Stabilization program MOE requirements referenced in Part 4, Section A of the application, the State must provide the assurance below.
- States that anticipate meeting all of the Stabilization program MOE requirements should not complete the waiver assurance in this section of the application. *See Appendix C – Instructions for Part 4: Maintenance of Effort. The criterion for a waiver of the MOE requirements is provided in Appendix C.*
- The Department will be providing additional guidance to States regarding the process for applying for waivers of the Stabilization program MOE requirements.

The Governor or his/her authorized representative assures the following:

To the best of his/her knowledge and based on the best available data, the State meets or will meet the eligibility criterion for a MOE waiver for each of the Stabilization program MOE requirements that the Governor or his/her authorized representative anticipates the State will be unable to meet.

not applicable

Governor or Authorized Representative of the Governor (Printed Name):	
Signature:	Date:

**PART 4, SECTION C: MAINTENANCE-OF-EFFORT BASELINE DATA**

**SPECIAL NOTES:**

- A State has some flexibility in determining the “levels of State support” for MOE purposes. For example, for the purpose of the elementary and secondary education MOE requirements, a State may use the level of support that the State provides through its primary elementary and secondary funding formulae, or it may use other relevant data. *See Appendix C – Instructions for Part 4: Maintenance of Effort.*

**1. Levels of State support for elementary and secondary education** *(the amounts may reflect the levels of State support on either an aggregate basis or a per-student basis):*

FY 2006      \$ 5,445,189,649 Actual  
FY 2009\*     \$ 6,361,257,788 Actual  
FY 2010\*     \$ 5,792,868,920 Actual  
FY 2011\*     \$ 5,814,427,158 Budget/enacted 7-2010

(\* Provide data to the extent that data are currently available.)

**2. Levels of State support for public institutions of higher education** *(enter amounts for each year):*

FY 2006      \$ 2,627,588,983 Actual  
FY 2009\*     \$ 2,981,417,588 Actual  
FY 2010\*     \$ 3,148,195,233 Actual  
FY 2011\*     \$ 3,456,265,394 Budget/enacted 7-2010

(\* Provide data to the extent that data are currently available.)

**3. Additional Submission Requirements:** In an attachment to the application –

- (a) Identify and describe the data sources used in determining the levels of State support for elementary and secondary education; - and -
- (b) Identify and describe the data sources used in determining the levels of State support for public IHEs.

CEP 11-16-10

**PART 5, SECTION A: STATE USES OF THE EDUCATION STABILIZATION FUND**

**SPECIAL NOTES:**

- Section A of Part 5 requests data on the Education Stabilization Fund (CFDA No. 84.394). In completing this portion of the application, please refer to Appendix D – Instructions for Part 5: State Uses of Funds.
- At a later date, the Department will collect data on the levels of State support for elementary, secondary, and postsecondary education in FY 2011.
- These data may differ from the data in the levels of support for maintenance-of-effort purposes. See instructions in Appendix D.
- The term “postsecondary education” refers to public IHEs.

**1. Levels of State Support for Elementary, Secondary, and Postsecondary Education**

Provide the following data on the levels of State support for elementary, secondary, and postsecondary education:

- |   |                                 |
|---|---------------------------------|
| (a) Level of State support for elementary and secondary education in FY 2008 provided through the State’s primary elementary and secondary education funding formulae | \$ 6,244,370,981 Actual         |
| (b) Level of State support for public IHEs in FY 2008   | \$ 3,256,806,228 Actual         |
| (c) Level of State support for elementary and secondary education in FY 2009 provided through the State’s primary elementary and secondary education funding formulae | \$ 6,361,257,788 Actual         |
| (d) Level of State support for public IHEs in FY 2009   | \$ 2,981,417,588 Actual         |
| (e) Level of State support for elementary and secondary education in FY 2010 provided through the State’s primary elementary and secondary education funding formulae | \$ 5,792,868,920 Actual         |
| (f) Level of State support for public IHEs in FY 2010   | \$ 3,148,195,233 Actual         |
| (g) Level of State support for elementary and secondary education in FY 2011 provided through the State’s primary elementary and secondary education funding formulae | \$ 5,814,427,158 Budget/enacted |
| (h) Level of State support for public IHEs in FY 2011   | \$ 3,456,265,394 Budget/enacted |

**Additional Information:** Did the State, prior to October 1, 2008, approve formula increases to support elementary and secondary education in FY 2010 or 2011, or to phase in State equity and adequacy adjustments?\*

Yes                       No

\* See Appendix D Worksheets for further guidance on how such increases affect a State’s “use of funds” calculations.

CEP 11-16-10

## 2. State's Primary Education Funding Formulae

**Additional Submission Requirement:** In an attachment to the application, identify and describe each of the State's primary elementary and secondary education funding formulae that were used in determining the calculations provided above for the levels of State support for elementary and secondary education.

## 3. Data on State Support for Postsecondary Education

**Additional Submission Requirement:** In an attachment to the application, identify and describe the specific State data sources that were used in determining the calculations provided above for the levels of State support for public IHEs.

## 4. Restoration Amounts

Based on the Worksheets included in Appendix D, calculate and provide the amount of Education Stabilization funds that the State will use to restore the levels of State support for elementary, secondary, and postsecondary education in FYs 2009 and 2010. As explained in the Instructions in Appendix D, a State must determine the amount of funds needed to restore fully the levels of State support for elementary, secondary, and postsecondary education in FY 2009 before determining the amount of funds available to restore the levels of such support in FY 2010.

### SPECIAL NOTES:

- At a later date, the Department will collect data on the amount of funds, if any, that remain available to (1) restore the levels of State support for elementary, secondary, and postsecondary education in FY 2011, and (2) award subgrants to local educational agencies (LEAs) based on their proportionate shares of funding under Part A of Title I of the ESEA.
- The calculations for these data must be based on the State's total Education Stabilization Fund allocation as reflected in Appendix A and not on the State's initial Education Stabilization Fund award.
- Although the State must follow the Instructions in Appendix D, in order to determine the amount of funds that LEAs and IHEs will receive under the program (i.e., the "restoration amounts"), the Governor has discretion in determining when to release these funds to LEAs and IHEs.

- (a) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2009 \$ -0-
- (b) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2009 \$ 275,388,640

**Restoration Amounts (continued)**

- (c) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2010 \$ 568,388,868
- (d) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2010 \$ 108,610,995
- (e) Amount of funds, if any, remaining after restoring State support for elementary, secondary, and postsecondary education in FY 2009 and FY 2010 \$ 209,543,061
- (f) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2011 \$ 209,543,061
- (g) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2011 \$ -0-
- (h) Amount of funds, if any, remaining after restoring State support for elementary, secondary, and postsecondary education in FY 2009, FY 2010, and FY 2011 \$ -0-

**5. Process for Awarding Funds to Public IHEs**

**Additional Submission Requirement:** In an attachment to the application, describe the process that the State will use to determine the amount of funding that individual public IHEs will receive from the funds that the State sets aside to restore the levels of State support for these institutions.

CEP 11-16-10

**PART 5, SECTION B: STATE USES OF THE  
GOVERNMENT SERVICES FUND**

**SPECIAL NOTES:**

- Section B of Part 5 requests data on the Government Services Fund (CFDA No. 84.397).
- In this section, provide preliminary estimates of the percentage of the Government Services Fund that the State intends to spend under various broad categories (to the extent such estimates are available). The total percentages in the chart should equal 100 percent.
- To the extent such estimates are available, the estimated percentages must be based on the State's total Government Services Fund allocation and not on the State's initial Government Services Fund award.

**Uses of the Government Services Fund**

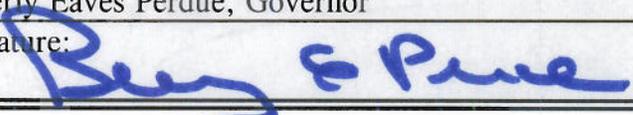
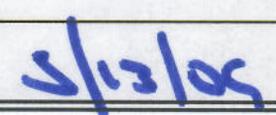
<b>Category</b>	<b>Estimated Percentage of Funds to Be Used</b>
Public Safety	94.7%
Elementary and secondary education (excluding modernization, renovation, or repair of public school facilities) – NC Virtual Public School	1.5%
Public IHEs (excluding modernization, renovation, or repair of IHEs)	
Modernization, renovation, or repair of public school facilities	
Modernization, renovation, or repair of IHEs	
Medicaid	
Public assistance	
Transportation	
Other (please describe): Implement a statewide budget and reporting system	2%
Other (please describe): Support costs of the NC Office of Economic Recovery and Investment (OERI), OSBM contract auditors, and system contractors developing reporting tools	1.8%
Undetermined	
<b>TOTAL</b>	<b>100%</b>

*CEP 12/30/09*

**PART 6: ACCOUNTABILITY, TRANSPARENCY, AND  
REPORTING ASSURANCES**

The Governor or his/her authorized representative assures that the State will comply with all of the accountability, transparency, and reporting requirements that apply to the Stabilization program, including the following:

- For each year of the program, the State will submit a report to the Secretary, at such time and in such manner as the Secretary may require, that describes:
  - the uses of funds within the State;
  - how the State distributed the funds it received;
  - the number of jobs that the Governor estimates were saved or created with the funds;
  - tax increases that the Governor estimates were averted because of the funds;
  - the State's progress in reducing inequities in the distribution of highly qualified teachers, implementing a State longitudinal data system, and developing and implementing valid and reliable assessments for limited English proficient students and children with disabilities;
  - the tuition and fee increases for in-State students imposed by public IHEs and a description of any actions taken by the State to limit the increases;
  - the extent to which public IHEs maintained, increased, or decreased enrollment of in-State students, including those students eligible for Pell Grants or other need-based financial aid; and
  - a description of each modernization, renovation or repair project funded, including the amounts awarded and project costs. (ARRA Division A, Section 14008)
- The State will cooperate with any Comptroller General evaluation of the uses of funds and the impact of funding on the progress made toward closing achievement gaps. (ARRA Division A, Section 14009)
- If the State uses funds for any infrastructure investment, the State will certify that the investment received the full review and vetting required by law and that the chief executive accepts responsibility that the investment is an appropriate use of taxpayer funds. This certification will include a description of the investment, the estimated total cost, and the amount of covered funds to be used. The certification will be posted on the State's website and linked to [www.Recovery.gov](http://www.Recovery.gov). A State or local agency may not use funds under the ARRA for infrastructure investment funding unless this certification is made and posted. (ARRA Division A, Section 1511)
- The State will submit reports, within 10 days after the end of each calendar quarter, that contain the information required under section 1512(c) of the ARRA in accordance with any guidance issued by Office of Management and Budget or the Department. (ARRA Division A, Section 1512(c))
- The State will cooperate with any Inspector General examination of records under the program. (ARRA Division A, Section 1515)

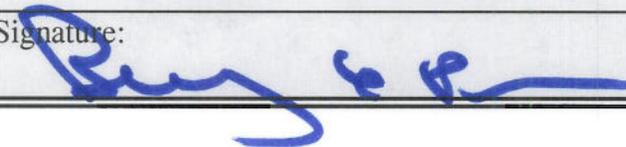
Governor or Authorized Representative of the Governor (Printed Name): Beverly Eaves Perdue, Governor	
Signature: 	Date: 

## PART 7: OTHER ASSURANCES AND CERTIFICATIONS

The Governor or his/her authorized representative assures or certifies the following:

- The State will comply with all applicable assurances in OMB Standard Forms 424B and D (Assurances for Non-Construction and Construction Programs), including the assurances relating to the legal authority to apply for assistance; access to records; conflict of interest; merit systems; nondiscrimination; Hatch Act provisions; labor standards; flood hazards; historic preservation; protection of human subjects; animal welfare; lead-based paint; Single Audit Act; and the general agreement to comply with all applicable Federal laws, executive orders and regulations.
- With respect to the certification regarding lobbying in Department Form 80-0013, no Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the making or renewal of Federal grants under this program; the State will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," when required (34 C.F.R. Part 82, Appendix B); and the State will require the full certification, as set forth in 34 C.F.R. Part 82, Appendix A, in the award documents for all subawards at all tiers.
- The State will comply with all of the operational and administrative provisions in Title XV and XIV of the ARRA, including Buy American Requirements (ARRA Division A, Section 1605), Wage Rate Requirements (ARRA Division A, Section 1606), and any applicable environmental impact requirements of the National Environmental Policy Act of 1970 (NEPA), as amended; (42 U.S.C. 4371 *et seq.*) (ARRA Division A, Section 1609). In using ARRA funds for infrastructure investment recipients will comply with the requirement regarding Preferences for Quick Start Activities (ARRA Division A, Section 1602).
- Any LEA receiving funding under this program will have on file with the State a set of assurances that meets the requirements of section 442 of the General Education Provisions Act (GEPA) (20 U.S.C. 1232e).
- To the extent applicable, an LEA will include in its local application a description of how the LEA will comply with the requirements of section 427 of GEPA (20 U.S.C. 1228a). The description must include information on the steps the LEA proposes to take to permit students, teachers, and other program beneficiaries to overcome barriers (including barriers based on gender, race, color, national origin, disability, and age) that impede access to, or participation in, the program.

- The State and other entities will comply with the following provisions of Education Department General Administrative Regulations (EDGAR), as applicable: 34 CFR Part 74 -- Administration of Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations; 34 CFR Part 76 -- State-Administered Programs, including the construction requirements in section 75.600 through 75.617 that are incorporated by reference in section 76.600; 34 CFR Part 77 -- Definitions that Apply to Department Regulations; 34 CFR Part 80 -- Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, including the procurement provisions; 34 CFR Part 81 -- General Education Provisions Act—Enforcement; 34 CFR Part 82 -- New Restrictions on Lobbying; 34 CFR Part 85 -- Governmentwide Debarment and Suspension (Nonprocurement).

Governor or Authorized Representative of the Governor (Printed Name): Beverly Eaves Perdue, Governor	
Signature: 	Date: 5/13/09

## PART 4, SECTION C: MAINTENANCE-OF EFFORT BASELINE DATA

### 3. **Additional submission requirements:** In an attachment to the application –

- (a) Identify and describe the data sources used in determining the levels of State support for elementary and secondary education: - and-

The level of State support for NC Public Schools is the amount of General Fund appropriations and other supporting revenues (such as lottery proceeds, fines and forfeitures, etc.) provided in each fiscal year in the State Public School Fund through the primary funding formulae, as defined in S.L. 2009-451 and including the LEA adjustment in 2009-11, to the 115 local education agencies and up to 100 charter schools for K-12 instructional operations. Funding for pre-K and capital projects are excluded from all years. The level of State support actually expended in FY 2006 is the amount of the General Fund appropriation and other State supporting revenue enacted in S.L. 2005-276 that was actually expended in FY 2006, as reported on the year-end budget report (BD-701). For FY 2009, the level of State support is the General fund appropriation and other State supporting revenue enacted S.L. 2008-107 that was actually expended, as reported on the year-end budget report (BD-701). The data source for FY 2010 is the General fund appropriation and other State supporting revenue enacted in S.L. 2009-451 that was actually expended, as reported on the year-end budget report (BD-701). The data source for FY2011 is the enacted budget S.L. 2009-451 as amended by S.L. 2010-31.

- (b) Identify and describe the data sources used in determining the levels of state support for public IHEs.

#### **North Carolina Community College:**

The level of State support for the NC Community College system is the amount of General Fund appropriations provided in each fiscal year in State aid to the 58 institutions for current operations, equipment, and library resources. Capital funds, tuition/fees, financial aid, and funding for the NC Community College system Office are excluded from all years. The level of State support actually expended in FY 2006 is the amount of the General Fund appropriation enacted in S.L. 2005-276 that was actually expended in FY 2006 as reported on the year-end budget report (BD-701). For FY 2009, the level of State support is the General Fund appropriation authorized by S.L. 2008-107 that was actually expended, as reported on the year-end budget report (BD-701). For FY 2010, the level of State support is the General Fund appropriation authorized by S.L. 2009-451 that was actually expended, as reported on the year-end budget report (BD-701). The data source for FY 2011 is the enacted budget, S.L. 2009-451 as amended by S.L. 2010-31.

#### **University of North Carolina System:**

The levels of state support for the University of North Carolina systems includes all operating General Fund appropriations for each of the 16 university campuses, excluding institutional research and tuition/fees from all years. Capital funds, operating budget for the UNC General Administration Office and funding for the NC School of Science and Mathematics (a residential high school which is part of the UNC system) have been excluded from all years. Also excluded from all years are system-wide financial aid funding and appropriations for Aid to Private Colleges. The General Fund appropriation for FY 2006 was enacted in S.L. 2005-276. For FY 2006, actual expenditures are the amounts reported on the year-end budget report (BD 701) for each campus, after adjusting for research, student financial aid and tuition/fees. The FY 2009 amount is the General Fund amount authorized by S.L. 2008-107 to the 16 public university campuses that was actually expended, as reported on the year-end budget report (BD-701). For FY 2010, the level of State support is the General Fund appropriation authorized by S.L. 2009-451 that was actually expended, as reported on the year-end budget report (BD-701). The data source for FY 2011 is the enacted budget, S.L. 2009-451 as amended by S.L. 2010-31.

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**PART 5, SECTION A: STATE USES OF THE EDUCATION STABILIZATION FUND**

**2. State's Primary Education Funding Formulae**

**Additional Submission Requirement:** In an attachment to the application, identify and describe each of the State's primary elementary and secondary education funding formulae that were used in determining the calculations provided above for the levels of State support for elementary and secondary education.

North Carolina's Primary Elementary and Secondary Education Funding Formulae										
<p>North Carolina's primary elementary and secondary education funding formulae include all funds in the State Public School Fund. North Carolina utilizes average daily membership (ADM) and average teacher salaries to direct the majority of State resources to local education agencies. ADM is based on the higher of the projected higher of the first two month's ADM or the higher of the actual first two months of the current year. Average teacher salary is based on the actual sixth pay period (December) average teacher salary for the current fiscal year.</p> <p>Below are the funding formulae used in determining the calculations for the level of State support for elementary and secondary education ( primary funding formulae per North Carolina Session Law 2009-451 plus LEA adjustment in 2009-11). For a general overview of how North Carolina funds public schools, please go to the following web address: <a href="http://www.ncpublicschools.org/docs/fbs/resources/data/highlights/2009highlights.pdf">http://www.ncpublicschools.org/docs/fbs/resources/data/highlights/2009highlights.pdf</a> . For detailed information about each State formula, please go to this web address: <a href="http://www.ncpublicschools.org/docs/fbs/allotments/general/2008-09policymanual.pdf">http://www.ncpublicschools.org/docs/fbs/allotments/general/2008-09policymanual.pdf</a></p>										
<b>Category</b>		<b>Basis of Allotment (Funding Factors are rounding.)</b>								
<b>Central Office Administration</b>		Increase of 2.22% over FY 09-10 Initial Allotments.								
<b>Classroom Teachers</b>										
<i>Grades Kindergarten -3</i>		1 per 18 in ADM. (LEA Class Size Avg. is 21)								
<i>Grades 4 - 6</i>		1 per 22 in ADM. (LEA Class Size Avg. is 26)								
<i>Grades 7 - 8</i>		1 per 21 in ADM. (LEA Class Size Avg. is 26)								
<i>Grade 9</i>		1 per 24.5 in ADM. (LEA Class Size Avg. is 26)								
<i>Grades 10 - 12</i>		1 per 26.64 in ADM. (LEA Class Size Avg. is 29)								
<i>Math/Science/Computer Teachers</i>		1 per county or based on subagreements.								
<b>Teacher Assistants</b>		\$1,131.29 per K-3 ADM.								
<b>Instructional Support</b>		1 per 200.10 in ADM.								
<b>School Building Administration</b>										
Principals		1 per school with at least 100 ADM or at least 7 state paid teachers.								
Assistant Principals		1 month per 80 in ADM.								
<b>Career Technical Ed. - MOE</b>		Base of 50 Months of Employment per LEA with remainder distributed based on ADM in grades 8-12.								
<b>Classroom Materials/Instructional Supplies/Equipment</b>		\$63.39 per ADM plus \$2.69 per ADM in grades 8 and 9 for PSAT Testing.								
<b>Textbooks</b>		<i>Not funded in FY 10-11.</i>								
<b>Noninstructional Support Personnel</b>		\$14.61 per ADM.								

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		\$6,000 per Textbook Commission member for Clerical Assistants.								
<b>Academically or Intellectually Gifted Students</b>		\$1,192.94 per child for 4% of ADM.								
<b>At-Risk Student Services</b>		Each LEA receives the dollar equivalent of one resource officer (\$37,838) per high school. Of the remaining funds, 50% is distributed based on ADM (\$73.51 per ADM) and 50% is distributed based on number of poor children, per the federal Title I Low Income poverty data (\$375.61 per poor child). Each LEA receives a minimum of the dollar equivalent of two teachers and two instructional support personnel (\$233,800).								
<b>Children with Disabilities</b>										
<b>School Aged</b>		\$ 3,598.55 per funded child count. Child count is comprised of the lesser of the April 1 handicapped child count or 12.5% of the allotted ADM.								
<b>Preschool</b>		Base of \$ 55,048 per LEA; remainder distributed based on April 1 child count of ages 3, 4, and PreK- 5, (\$2,905.10) per child.								
<b>Group Homes</b>		Approved applications.								
<b>Developmental Day Care (3-20)</b>		Requests for funding are made on individual applications submitted by the LEA and approved by the Department of Public Instruction. Allotments for identified children are based on an established monthly rate for a maximum of ten months.								
<b>Community Residential Centers</b>		Requests for funding are made on individual applications submitted by the LEA and approved by the Department of Public Instruction. Allotments for identified children are based on an established monthly rate for a maximum of ten months.								
<b>Driver Training</b>		Not funded in the continuation budget.								
<b>Limited English Proficiency</b>		Base of a teacher asst. (\$29,750); remainder based 50% on number of funded LEP students (\$376.08) and 50% on an LEA's concentration of LEP students (\$3,345.19).								
<b>Mentor Pay</b>		Funds are allocated based on the highest number of employees in the preceding three school years paid from State, Federal or Local funds. Eligible employees are Classroom Teachers or Instructional Support personnel paid on steps 1 or 2 of the salary schedule. \$794.43 per FTE.								
<b>School Technology</b>		\$.68 per ADM.								
<b>Staff Development</b>		Not funded in FY2009-10 or FY2010-11.								
<b>Transportation</b>		Based on the number of students transported and miles to schools. The funding is adjusted based on an efficiency rated formula and local operating plans.								
<b>Career Technical Education - Program Support</b>		\$10,000 per LEA with remainder distributed based on ADM in grades 8-12 (\$33.67).								

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### **3. Data on State Support for Postsecondary Education**

**Additional Submission Requirement:** In an attachment to the application, identify and describe the specific State data sources that were used in determining the calculations provided above for the levels of state support for public IHES.

#### **North Carolina Community College System:**

The level of State support for the NC Community College system is the amount of General Fund Appropriations provided in each fiscal year in State aid to the 58 institutions for current operations, equipment, and library resources. Capital funds, tuition/fees, financial aid, and funding for the NC Community College system Office are excluded in all years. The level of State support for FY 2008 is the amount of the General Fund appropriation enacted in S.L. 2007-323 that was actually expended in FY 2008 as reported on the year-end budget report (BD-701). For FY 2009, the level of State support is the General fund appropriation authorized by S.L. 2008-107 that was actually expended in FY 2009 as reported on the year-end budget report (BD-701). For FY 2010, the level of State support is the General Fund appropriation authorized by S.L. 2009-451 that was actually expended, as reported on the year-end budget report (BD-701). The data source for FY 2011 is the enacted budget, S.L. 2009-451 as amended by S.L. 2010-31.

#### **University of North Carolina System:**

The data sources used in determining the levels of state support for the University of North Carolina systems includes all operating General Fund appropriations for each of the 16 university campuses, excluding institutional research and tuition/fees in all years. Capital funds, operating budget for the UNC System Office and funding for the NC School of Science and Mathematics (a residential high school which is part of the UNC system) have been excluded in all years. Also excluded from all years are system-wide financial aid funding and appropriations for Aid to Private Colleges. The General Fund appropriation for FY 2006 was enacted in S.L. 2005-276. For FY 2006, actual expenditures are the amounts reported on the year-end budget report (BD 701) for each campus, after adjusting for research, student financial aid and tuition/fees. The FY 2009 amount is the General Fund amount authorized by S.L. 2008-107 to the 16 public university campuses that was actually expended, as reported on the year-end budget report (BD-701). For FY 2010, the level of State support is the General Fund appropriation authorized by S.L. 2009-451 that was actually expended, as reported on the year-end budget report (BD-701). The data source for FY 2011 is the enacted budget, S.L. 2009-451 as amended by S.L. 2010-31.

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## **5. Process for Awarding Funds to Public IHES**

**Additional Submission Requirement:** In an attachment to the application, describe the process that the State will use to determine the amount of funding that individual public IHES will receive from the funds that the State sets aside to restore the levels of support for these institutions.

### **North Carolina Community College System:**

Funds for the North Carolina Community College System are allocated to the colleges by the State Board of Community Colleges in a manner not inconsistent with actions of the General Assembly per G.S. 115D-5. The 2008-09 allocation to the North Carolina Community College System was based upon the aggregate shortfall in state support in 2008-09 as compared to 2007-08. The allocations to individual community colleges were made by determining the State support IHE payroll obligations for May 2009. Funds were used to meet payroll obligations in May 2009. No additional funds will be awarded to the North Carolina Community College System.

### **University of North Carolina System:**

Funds for the UNC system are allocated to the constituent institutions by the President and Board of Governors in a manner not inconsistent with actions of the General Assembly per G.S. 116-11.

The allocation to the University of North Carolina System was based upon the aggregate shortfall in state support in 2008-09 as compared to 2007-08. The allocations to individual UNC institutions were made by determining State support IHE payroll obligations for June 2009. Funds were used to meet payroll obligations in June 2009. The State Fiscal Stabilization Funds will be awarded to UNC IHES in 2009-10 and 2010-11 by determining State support payroll obligations.

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North Carolina SFSF Calculations for State Support - Original Application v. Amended Application

	MOE		FY 2009	FY 2009 Shortfall Amount	FY 2010	FY 2010 Shortfall Amount	FY 2011
	FY 2006	FY 2008					
K-12 - Original Application	6,954,242,208	8,197,121,797	8,263,631,370	n/a	7,542,253,998	(721,377,372)	7,736,169,499
K-12 - Amended Application 10-2009 and 3-2010	5,445,189,649	6,244,370,981	6,361,257,788	n/a	5,980,819,060	(380,438,728)	5,897,748,829
K-12 - Amended Application 9-2010	5,445,189,649	6,244,370,981	6,361,257,788	n/a	5,842,868,920	(518,388,868)	5,814,427,158
IHEs - Original Application	2,627,591,738	3,256,806,228	3,129,843,256	(126,962,972)	3,452,275,917	n/a	3,592,694,478
IHEs - Amended Application 10-2009 and 3-2010	2,627,588,973	3,256,806,228	2,981,417,588	(275,388,640)	3,333,682,076	n/a	3,397,570,053
IHEs - Amended Application 9-2010	2,627,588,973	3,256,806,228	2,981,417,588	(275,388,640)	3,148,195,233	(108,610,995)	3,456,265,394

Explanation of Changes:

3-2010 Amendment: MOE amounts in FY2006 were revised to reflect data corrections.

10-2009 Amendment: In the original application, the FY 2009 year was a projected amount based upon the current year appropriation less estimates of the required reversion, furlough, and spending/hiring freeze. After ending FY 2009, the actual levels of state support were determined. The actual FY 2009 levels were used in the amended application.

10-2009 Amendment: K-12 amounts changed in all years in the amended application due to a legislatively enacted definition of the primary K-12 funding formulae. The original application used the entire State Public School Fund as the primary K-12 funding formulae, while the legislative definition is a subset of the State Public School Fund formulae.

10-2009 Amendment: FY 2010 and FY 2011 amounts changed due to the enactment of the 2009-11 budget. The original application used the Governor's March 2009 Recommended Budget amounts. After the Governor's budget was presented to the North Carolina General Assembly, state revenue projections were revised in May to reflect April 2009 revenues. This resulted in a larger budget shortfall than had been previously projected. The amended application uses the enacted levels of state support for FY 2010 and FY 2011.

9-2010 Amendment: FY 2010 amount changed to reflect the actual level of state support using actual expenditures. FY 2011 amount changed to reflect the enactment of the 2010-11 budget as amended by the 2010 Session of the North Carolina General Assembly.