## STATE FISCAL STABILIZATION FUND APPLICATION

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

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

| | |
|---|---|
| To the best of my knowledge and belief, all of the information and data in this application are true and correct. | |
| Governor or Authorized Representative of the Governor (Printed Name):<br>Beverly Eaves Perdue, Governor | Telephone:<br>(919) 733-2120 |
| Signature of Governor or Authorized Representative of the Governor: | Date:<br>9/27/10 |

| | |
|---|---|
| Recommended Statement of Support from the Chief State School Officer *(Optional)*:<br><br>The State educational agency will cooperate with the Governor in the implementation of the State Fiscal Stabilization Fund program. | |
| Chief State School Officer (Printed Name):<br>June Atkinson, Superintendent | Telephone:<br>(919) 807-3430 |
| Signature of the Chief State School Officer: | Date:<br>9/27/10 |

Form Approved OMB Number: 1810-0690; Expiration Date: 9/30/2009

## 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*** $ 5,842,868,920 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.

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## 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 | $_5,842,868,920__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 X No

* *See* Appendix D Worksheets for further guidance on how such increases affect a State's "use of funds" calculations.

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## 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_____



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**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 | $__518,388,868_____ |
| (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 | $__259,543,061_____ |
| (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 | $__259,543,061_____ |
| (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.



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## 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**

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.

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: http://www.ncpublicschools.org/docs/fbs/resources/data/highlights/2009highlights.pdf . For detailed information about each State formula, please go to this web address: http://www.ncpublicschools.org/docs/fbs/allotments/general/2008-09policymanual.pdf

| Category | Basis of Allotment (Funding Factors are rounding.) |
|---|---|
| **Central Office Administration** | Increase of 2.22% over FY 09-10 Initial Allotments. |
| **Classroom Teachers** | |
| *Grades Kindergarten -3* | 1 per 18 in ADM. (LEA Class Size Avg. is 21) |
| *Grades 4 - 6* | 1 per 22 in ADM. (LEA Class Size Avg. is 26) |
| *Grades 7 - 8* | 1 per 21 in ADM. (LEA Class Size Avg. is 26) |
| *Grade 9* | 1 per 24.5 in ADM. (LEA Class Size Avg. is 26) |
| *Grades 10 - 12* | 1 per 26.64 in ADM. (LEA Class Size Avg. is 29) |
| *Math/Science/Computer Teachers* | 1 per county or based on subagreements. |
| **Teacher Assistants** | $1,131.29 per K-3 ADM. |
| **Instructional Support** | 1 per 200.10 in ADM. |
| **School Building Administration** | |
| Principals | 1 per school with at least 100 ADM or at least 7 state paid teachers. |
| Assistant Principals | 1 month per 80 in ADM. |
| **Career Technical Ed. - MOE** | Base of 50 Months of Employment per LEA with remainder distributed based on ADM in grades 8-12. |
| **Classroom Materials/Instructional Supplies/Equipment** | $63.39 per ADM plus $2.69 per ADM in grades 8 and 9 for PSAT Testing. |
| **Textbooks** | *Not funded in FY 10-11.* |
| **Noninstructional Support Personnel** | $14.61 per ADM. |

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| | |
|---|---|
| | $6,000 per Textbook Commission member for Clerical Assistants. |
| **Academically or Intellectually Gifted Students** | $1,192.94 per child for 4% of ADM. |
| | |
| **At-Risk Student Services** | *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 1 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 ($233,800).* |
| **Children with Disabilities** | |
| ***School Aged*** | *$ 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.* |
| ***Preschool*** | *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.* |
| ***Group Homes*** | *Approved applications.* |
| ***Developmental Day Care (3-20)*** | *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.* |
| ***Community Residential Centers*** | *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.* |
| **Driver Training** | *Not funded in the continuation budget.* |
| **Limited English Proficiency** | *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).* |
| **Mentor Pay** | *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. $794.43 per FTE.* |
| **School Technology** | *$.68 per ADM.* |
| **Staff Development** | Not funded in FY2009-10 or FY2010-11. |
| **Transportation** | 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. |
| **Career Technical Education - Program Support** | $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 Calcuations for State Support - Original Application v. Amended Application

| | MOE FY 2006 | FY 2008 | FY 2009 | FY 2009 Shortfall Amount | FY 2010 | FY 2010 Shortfall Amount | FY 2011 |
|---|---|---|---|---|---|---|---|
| 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.