

## Proposed school funding overhaul is a step in the wrong direction

- **S670 would radically overhaul North Carolina’s school funding system from a resource allocation model to a weighted student model**
- **The new changes fail to address North Carolina’s biggest challenge: a lack of adequate funding**
- **The proposed system worsens funding equity by generally shifting funding out of small, rural districts and into urban districts**
- **The plan is less equitable for Black students, economically-disadvantaged students, and students with disabilities**
- **North Carolina students would be much better served if lawmakers instead implemented the research-based and community-supported Leandro Comprehensive Remedial Plan**

One of the potentially most important bills of the session was released last week with little fanfare. [S670](#), sponsored by three powerful Republican budget writers, would radically overhaul North Carolina’s school funding system. The bill would replace the state’s current system of funding allotments – sometimes referred to as a “resource allocation funding model” – with what’s known as a weighted student model. Unfortunately, this shift will do little to address the challenges our schools are facing. If anything, it will make things worse.

### Resource allocation versus weighted student

Under a resource allocation model, the state provides funding to districts via a series of allotments, each with their own distribution formula. Funds are intended to be used together by districts to distribute resources across schools. There are approximately 30 allotments:

- **Base allotments** such as classroom teachers, classroom supplies, and teacher assistants are provided to all districts equally based on their overall enrollment.
- **Student-based allotments** are provided based on student characteristics that affect educational costs and that vary across districts such as the number of students with disabilities and those with limited English proficiency.
- **District-based allotments** are provided based on district characteristics that affect educational costs such as district size and ability to generate local revenue.
- **Program-specific grants** are provided for operating specific programs such as Cooperative Innovative High Schools and school safety grants. Not all districts receive these funds.

Under a weighted student model, the state first calculates a **base dollar amount** for each student. This amount is generally intended to cover the cost of educating a general student. Instead of providing allotments to account for student and district characteristics that affect educational costs, a weighted student model provides additional “weights.” For example, a student with a disability might generate additional funding equal to 1.3 times the base dollar amount, while a student from a family with low income might have an additional weight of 0.75.

S670 proposes the following weights:

Factor	Additional Weight
Students in grades K-5	0.31
Students in grades 8-12	0.29
Economically-disadvantaged student factor	0.38
Students in a district with less than 3,300 students	0.32
Students with disabilities	1.30
Students in gifted programs	0.04
Limited English proficient students	0.10

While North Carolina is one of just a handful of states that uses a resource allocation model, either model can meet the goals of a successful school funding system.

### The goals of school finance systems

The primary goal of a school finance system is to provide sufficient resources so that all children can meet state standards, regardless of their race, family income, or where they live.

To meet this goal, school finance experts generally focus on two aspects:

1. **Adequacy:** Do our schools have sufficient resources to allow all students to meet state standards?
2. **Equity:** Are resources distributed in accordance with student need so that all students have the same chances for academic success?

Other beneficial but generally less important features of school finance systems are **simplicity, stability, and flexibility**.

It's possible to develop either resource allocation or weighted student models that provide sufficient resources so that all children can meet state standards, regardless of their race, family income, or where they live. The question is whether S670 moves us closer or further from that goal.

### S670 fails to address North Carolina's inadequate school funding

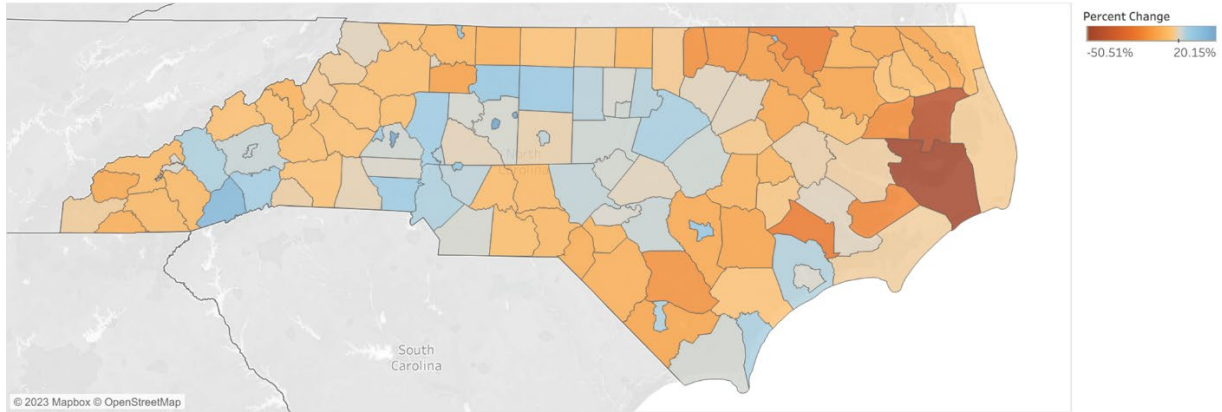
North Carolina's level of school funding is grossly inadequate. When adjusted for appropriate school cost factors, North Carolina's [per-pupil funding ranks 48th](#), 43 percent below the national average per-pupil funding level. Our school funding effort – the amount we spend as a share of our GDP – is dead last in the nation. 92 percent of North Carolina students attend districts spending less than the estimated amount necessary to achieve national average test scores. [North Carolina has the most students in inadequately funded districts](#).

Despite it all, S670 does nothing to address adequacy. It fails to appropriate any additional funding. It simply changes the distribution of funding across districts.

### S670 makes school funding less equitable

Somewhat surprisingly, S670 would reduce funding to small, low-wealth districts. Funding would increase in large urban districts and city districts that are located within a larger county district.

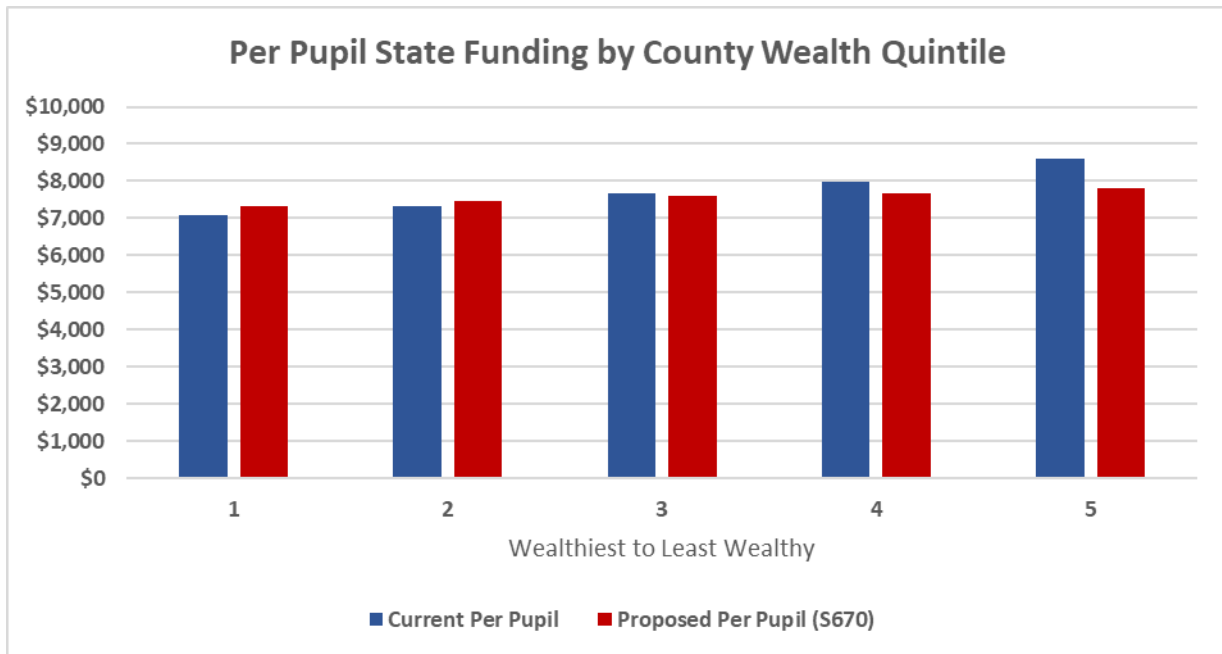
S670 Winners and Losers



Both Charlotte-Mecklenburg and Wake Counties would see their state funding increase 3.5 percent and 4.5 percent, respectively. Meanwhile, Hyde County and Tyrell County’s funding would decrease a whopping 50 percent and 43 percent, respectively.

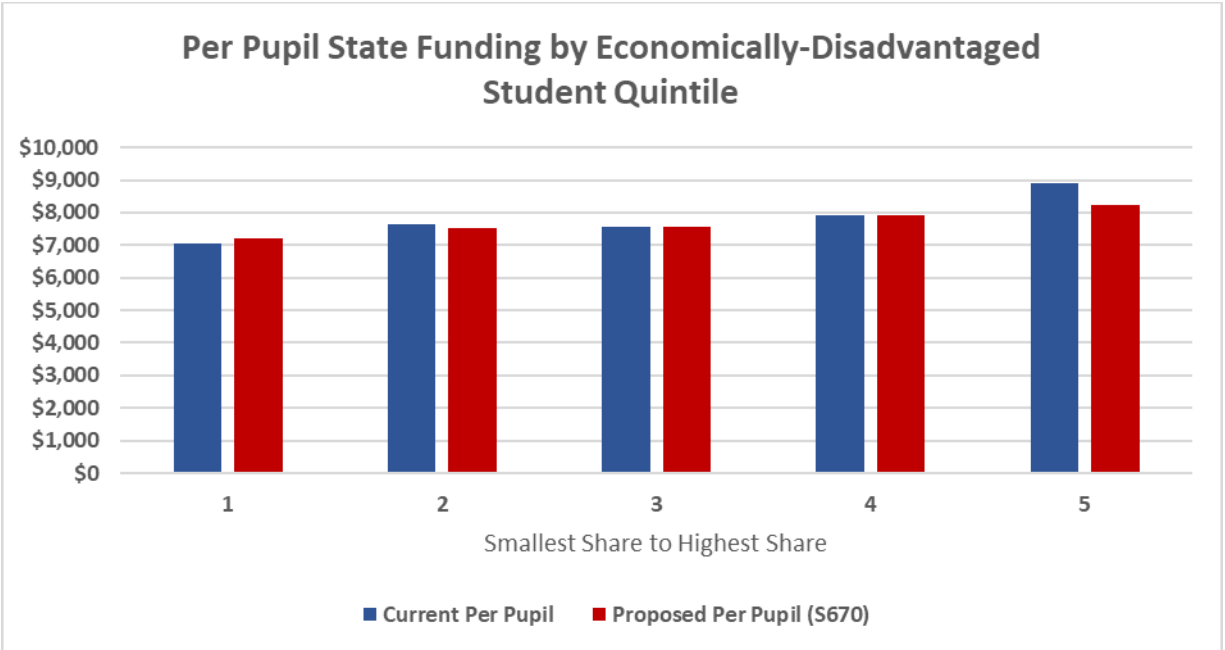
The bill’s impact on each district can be found in the Appendix.

The absence of any sort of wealth equalization mechanism means that low wealth counties (those with a below-average local revenue capacity) would generally lose funding under this proposal.



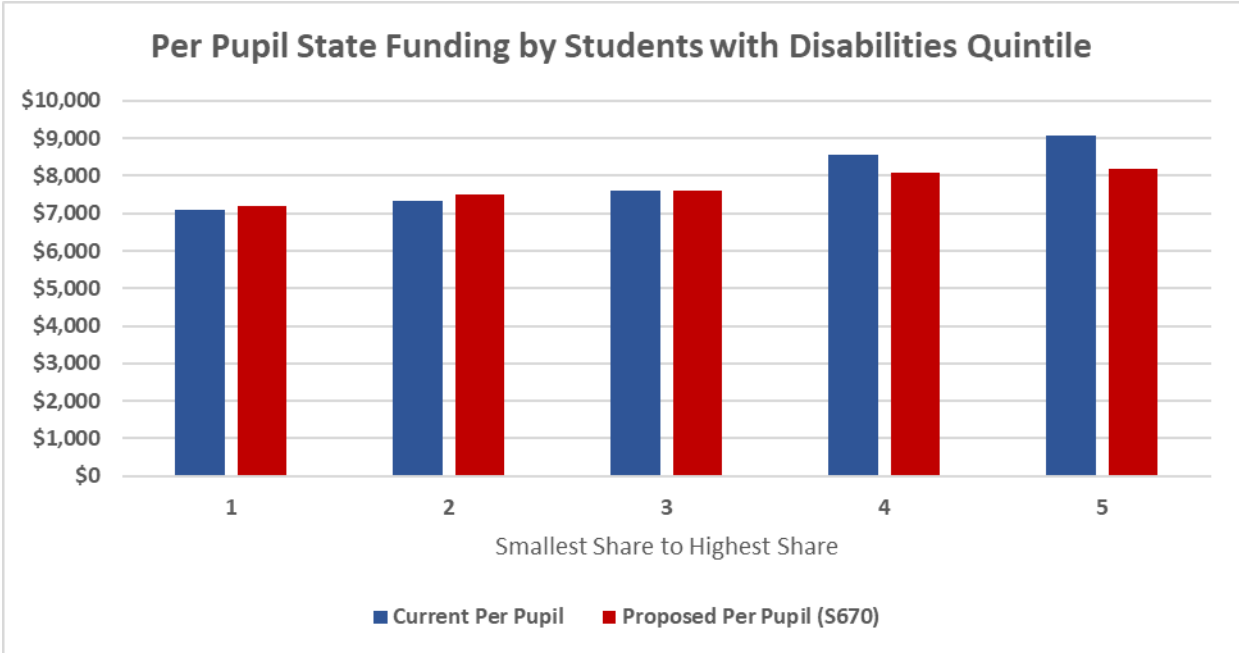
When it comes to students, this proposal would disadvantage economically disadvantaged students, Black students, and students with disabilities.

Funding under S670 would be notably less progressive for economically disadvantaged students.



Black students would fare slightly worse under S670. The average Black student attends a district that receives \$81 more per student in state funding than the average non-Black student. That advantage falls to \$61 per student under S670.

The proposal would also be less equitable for students with disabilities.



The average student with a disability currently attends a district with \$74 more per student in state funding than the average student without a disability. That advantage falls to \$48 under S670.

Further, students with disabilities would lose access to a dedicated funding stream. Currently, the \$1.1 billion that the state appropriates for students with disabilities must be spent on students with

disabilities. Under S670, weighted funding generated by students with disabilities could be used for any purpose.

These backwards changes are the direct result of a plan that assigns weights arbitrarily and ignores important cost factors.

### A better path forward: the Leandro Plan

North Carolina legislators are already sitting on a research-based, community-supported plan to improve North Carolina’s school finance system. [The Leandro Comprehensive Remedial Plan](#) – a product of North Carolina’s 29-year school finance litigation – addresses the obvious weaknesses in North Carolina’s school funding system.

District: State Total (1) ▾		<= Select your district from the dropdown menu				Additional Resources**	
Estimated Leandro Budget Impact		Changes in State Funding*					
	Current Funding	Funding Under Leandro	Change	Percent Change			
Children with Disabilities	845.0M	1.3B	444.6M	53%	Teachers	12,883	
Limited English Proficiency	104.8M	317.3M	212.4M	203%	Teacher Assistant	7,912	
At-Risk and Disadvantaged	386.9M	1.4B	1.1B	275%	Psychologists	1,177	
Classroom Supplies and Textbooks	88.7M	212.8M	124.1M	140%	Counselors	3,586	
Instructional Support Personnel***	511.3M	1.2B	705.8M	138%	Social Workers	3,220	
Teacher Assistants	386.1M	570.9M	184.9M	48%	Nurses	1,679	
Other Funding	7.2B	7.7B	547.6M	8%	Bus Drivers	714	
<b>Total State Funding</b>	<b>9.5B</b>	<b>13.2B</b>	<b>3.7B</b>	<b>39%</b>	Other Personal	9,132	
					Professional Development \$/Educator	\$1,281	
					\$/Student - Supplies, Texts and Tech	\$176	
<b>State Funding per Student</b>	<b>\$6,726</b>	<b>\$9,348</b>	<b>\$2,623</b>	<b>39%</b>			

\* Estimates for funding changes do not include additional amounts for anticipated pay increases. Salary increases will increase the value of allotments that may support personnel.

\*\* Additional resources represent an example of the resources the district could add based on proposed changes in funding under Leandro. Actual changes in resources will be determined by the local board.

\*\*\* Instructional support personnel includes nurses, psychologists, counselors, social workers, and media specialists.

- **Adequacy:** Based on [a detailed, high-quality adequacy study](#), the Plan calls for State funding to increase approximately 45 percent. These additional resources are what researchers and the court system have determined are necessary just to provide the bare minimum level of schooling called for under our state constitution.
- **Equity:** The Leandro Plan directs funding to the students and districts that most require additional resources to meet state academic standards. The Plan calls for dramatic increases to funding benefitting disadvantaged, disabled, and multi-lingual students as well as new programs and supports for schools serving higher percentages of students from families with low incomes.

Additional reforms would address **simplicity** (collapsing the number of allotments), **stability** (modifying the way charter enrollments can destabilize district budgets), and **flexibility** (eliminating spending restrictions on most allotments).

Ultimately, the Plan would move North Carolina towards a weighted student system. It calls for the state to fund a study in 2027 to determine how to phase-in a weighted student funding formula that retains

position allotments. The Plan recognizes that a careful study is necessary because there are right ways and wrong ways to develop a weighted student system.

### [The right way to create a weighted student model](#)

S670 was formulated behind closed doors with no public input. It is unclear how the bill sponsors decided on formula weights. But the resulting formula bears almost no relation to the cost factors necessary to ensure that all students have an equal opportunity to meet state academic goals.

[There are well established methods for developing a weighted student formula](#) that the authors of S670 are apparently unaware of. Developing a reasonable weighted model requires three steps:

1. **Determine cost factors:** Policymakers should first identify the student and district characteristics that affect the costs of providing every student with equal opportunity for academic success. S670 identifies a few of these factors (economic disadvantage, disability, English proficiency, district size), but ignores other important factors (e.g., county tax capacity, concentration of poverty, homelessness/student mobility).
2. **Estimate necessary spending levels:** Statistical models can then be used to estimate the amount of spending necessary for each district to meet state academic goals by analyzing the relationship between cost factors, spending, and student academic outcomes.
3. **Determine weights:** Based on the statistical analysis, determine the appropriate weights that provide each district with the resources necessary for all students to have an equal opportunity to meet state academic goals.

It's clear that S670's authors failed to take these steps. Instead, they have offered a model with seemingly arbitrary weights that bear little relation to school cost factors. The net result is a model that fails to address the glaring adequacy problem and makes funding less equitable, particularly for small, rural districts. One must also consider the unintended costs of imposing a radically new finance system on overburdened school finance staff at both the local and state levels. These costs certainly outweigh a plan with no discernable benefits.

## Appendix

### S670 Analysis: District-Level Fiscal Impact

LEA	LEA Name	Actual State Funding 22-23	22-23 State Funding Under S670	Dollar Change	Percent Change	Change Rank
10	Alamance-Burlington Schools	\$164,159,632	\$168,636,978	\$4,477,346	2.73%	23
20	Alexander County Schools	\$36,846,468	\$34,417,357	(\$2,429,111)	-6.59%	75
30	Alleghany County Schools	\$13,690,002	\$12,871,227	(\$818,775)	-5.98%	71
40	Anson County Schools	\$29,774,952	\$28,090,562	(\$1,684,390)	-5.66%	67
50	Ashe County Schools	\$25,503,035	\$25,412,086	(\$90,949)	-0.36%	42
60	Avery County Schools	\$17,647,648	\$17,144,793	(\$502,855)	-2.85%	57
70	Beaufort County Schools	\$45,817,760	\$44,518,102	(\$1,299,658)	-2.84%	56
80	Bertie County Schools	\$19,068,595	\$16,624,548	(\$2,444,047)	-12.82%	100
90	Bladen County Schools	\$36,300,229	\$29,596,139	(\$6,704,090)	-18.47%	108
100	Brunswick County Schools	\$96,659,854	\$97,246,284	\$586,430	0.61%	35
110	Buncombe County Schools	\$167,716,798	\$169,534,948	\$1,818,150	1.08%	31
111	Asheville City Schools	\$30,474,216	\$30,864,204	\$389,988	1.28%	30
120	Burke County Schools	\$93,994,724	\$88,236,418	(\$5,758,306)	-6.13%	72
130	Cabarrus County Schools	\$239,559,088	\$246,363,700	\$6,804,612	2.84%	22
132	Kannapolis City Schools	\$39,843,837	\$43,629,057	\$3,785,220	9.50%	6
140	Caldwell County Schools	\$86,235,124	\$80,767,444	(\$5,467,680)	-6.34%	73
150	Camden County Schools	\$18,628,634	\$16,598,768	(\$2,029,866)	-10.90%	96
160	Carteret County Schools	\$57,333,852	\$56,264,920	(\$1,068,932)	-1.86%	51
170	Caswell County Schools	\$21,300,362	\$20,587,508	(\$712,854)	-3.35%	58
180	Catawba County Schools	\$113,792,302	\$114,315,277	\$522,975	0.46%	37
181	Hickory City Schools	\$28,068,029	\$29,470,576	\$1,402,547	5.00%	12
182	Newton-Conover City Schools	\$22,037,725	\$26,346,215	\$4,308,490	19.55%	2
190	Chatham County Schools	\$65,669,071	\$66,193,385	\$524,314	0.80%	33
200	Cherokee County Schools	\$27,567,585	\$27,017,292	(\$550,293)	-2.00%	53
210	Edenton-Chowan County Schools	\$17,958,413	\$17,049,708	(\$908,705)	-5.06%	63
220	Clay County Schools	\$12,796,024	\$11,530,310	(\$1,265,714)	-9.89%	91
230	Cleveland County Schools	\$110,422,408	\$108,473,774	(\$1,948,634)	-1.76%	49
240	Columbus County Schools	\$44,270,723	\$38,217,961	(\$6,052,762)	-13.67%	102
241	Whiteville City Schools	\$18,476,436	\$19,206,972	\$730,536	3.95%	16
250	Craven County Schools	\$93,422,830	\$92,456,417	(\$966,414)	-1.03%	44
260	Cumberland County Schools	\$365,682,390	\$369,039,972	\$3,357,582	0.92%	32
270	Currituck County Schools	\$35,047,548	\$32,728,363	(\$2,319,185)	-6.62%	76
280	Dare County Schools	\$37,855,464	\$37,116,328	(\$739,136)	-1.95%	52
290	Davidson County Schools	\$131,982,564	\$132,329,880	\$347,317	0.26%	39
291	Lexington City Schools	\$23,307,788	\$28,262,825	\$4,955,037	21.26%	1
292	Thomasville City Schools	\$17,091,232	\$20,392,807	\$3,301,575	19.32%	3
300	Davie County Schools	\$45,598,154	\$45,724,053	\$125,899	0.28%	38
310	Duplin County Schools	\$78,138,883	\$67,412,061	(\$10,726,822)	-13.73%	103
320	Durham County Schools	\$234,274,096	\$240,535,268	\$6,261,172	2.67%	24
330	Edgecombe County Schools	\$47,812,911	\$41,657,867	(\$6,155,044)	-12.87%	101
340	Forsyth County Schools	\$376,934,728	\$403,372,256	\$26,437,528	7.01%	9
350	Franklin County Schools	\$62,054,953	\$61,244,348	(\$810,605)	-1.31%	46
360	Gaston County Schools	\$216,622,082	\$228,119,839	\$11,497,757	5.31%	11
370	Gates County Schools	\$15,681,407	\$13,809,975	(\$1,871,432)	-11.93%	98
380	Graham County Schools	\$12,135,250	\$10,732,645	(\$1,402,605)	-11.56%	97
390	Granville County Schools	\$53,978,042	\$51,922,075	(\$2,055,967)	-3.81%	59
400	Greene County Schools	\$27,336,693	\$25,037,503	(\$2,299,190)	-8.41%	84
410	Guilford County Schools	\$489,835,255	\$521,850,856	\$32,015,601	6.54%	10
420	Halifax County Schools	\$23,003,693	\$19,794,472	(\$3,209,221)	-13.95%	104
421	Roanoke Rapids City Schools	\$22,539,636	\$24,847,501	\$2,307,865	10.24%	5
422	Weldon City Schools	\$8,067,533	\$6,678,854	(\$1,388,679)	-17.21%	107
430	Harnett County Schools	\$150,677,459	\$149,187,610	(\$1,489,849)	-0.99%	43
440	Haywood County Schools	\$50,332,076	\$52,119,605	\$1,787,529	3.55%	18
450	Henderson County Schools	\$93,078,338	\$96,674,199	\$3,595,861	3.86%	17
460	Hertford County Schools	\$24,863,244	\$22,634,064	(\$2,229,180)	-8.97%	86
470	Hoke County Schools	\$72,956,972	\$66,335,972	(\$6,621,000)	-9.08%	88
480	Hyde County Schools	\$8,799,252	\$4,380,008	(\$4,419,244)	-50.22%	115

### S670 Analysis: District-Level Fiscal Impact (cont.)

LEA	LEA Name	Actual State Funding 22-23	22-23 State Funding Under S670	Dollar Change	Percent Change	Change Rank
490	Iredell-Statesville Schools	\$146,341,938	\$153,573,897	\$7,231,959	4.94%	13
491	Mooreville City Schools	\$42,072,622	\$43,323,772	\$1,251,150	2.97%	21
500	Jackson County Schools	\$29,359,204	\$27,020,512	(\$2,338,692)	-7.97%	83
510	Johnston County Schools	\$282,905,412	\$286,589,272	\$3,683,860	1.30%	29
520	Jones County Schools	\$12,300,134	\$9,454,583	(\$2,845,551)	-23.13%	113
530	Lee County Schools	\$71,314,727	\$71,489,457	\$174,730	0.25%	40
540	Lenoir County Schools	\$67,419,336	\$64,525,012	(\$2,894,324)	-4.29%	60
550	Lincoln County Schools	\$82,491,521	\$82,888,448	\$396,927	0.48%	36
560	Macon County Schools	\$35,427,214	\$32,853,540	(\$2,573,674)	-7.26%	81
570	Madison County Schools	\$20,750,553	\$19,691,147	(\$1,059,406)	-5.11%	64
580	Martin County Schools	\$26,192,953	\$24,677,059	(\$1,515,894)	-5.79%	68
590	McDowell County Schools	\$47,676,385	\$44,570,746	(\$3,105,639)	-6.51%	74
600	Charlotte-Mecklenburg County Schools	\$994,416,359	\$1,028,714,359	\$34,298,000	3.45%	19
610	Mitchell County Schools	\$17,799,342	\$16,260,430	(\$1,538,912)	-8.65%	85
620	Montgomery County Schools	\$29,366,420	\$27,314,576	(\$2,051,844)	-6.99%	79
630	Moore County Schools	\$93,529,914	\$95,269,797	\$1,739,883	1.86%	27
640	Nash-Rocky Mount Schools	\$112,886,995	\$111,504,056	(\$1,382,939)	-1.23%	45
650	New Hanover County Schools	\$180,234,322	\$187,698,900	\$7,464,579	4.14%	15
660	Northampton County Schools	\$15,603,584	\$12,087,415	(\$3,516,169)	-22.53%	112
670	Onslow County Schools	\$204,713,993	\$211,030,049	\$6,316,056	3.09%	20
680	Orange County Schools	\$53,843,184	\$53,785,745	(\$57,439)	-0.11%	41
681	Chapel-Hill/Carrboro City Schools	\$80,068,436	\$81,699,447	\$1,631,011	2.04%	26
690	Pamlico County Schools	\$13,438,577	\$10,670,242	(\$2,768,335)	-20.60%	111
700	Pasquotank County Schools	\$41,430,986	\$37,211,633	(\$4,219,353)	-10.18%	93
710	Pender County Schools	\$80,302,873	\$76,796,044	(\$3,506,829)	-4.37%	62
720	Perquimans County Schools	\$16,390,443	\$15,419,873	(\$970,570)	-5.92%	69
730	Person County Schools	\$36,433,332	\$33,164,895	(\$3,268,437)	-8.97%	87
740	Pitt County Schools	\$179,462,464	\$174,936,018	(\$4,526,445)	-2.52%	55
750	Polk County Schools	\$19,200,471	\$18,898,154	(\$302,317)	-1.57%	48
760	Randolph County Schools	\$115,314,673	\$112,630,351	(\$2,684,322)	-2.33%	54
761	Asheboro City Schools	\$35,157,811	\$36,009,424	\$851,613	2.42%	25
770	Richmond County Schools	\$57,462,852	\$52,906,495	(\$4,556,357)	-7.93%	82
780	Robeson County Schools	\$178,302,327	\$159,736,280	(\$18,566,047)	-10.41%	94
790	Rockingham County Schools	\$89,366,195	\$84,699,856	(\$4,666,339)	-5.22%	65
800	Rowan-Salisbury County Schools	\$137,358,337	\$135,518,031	(\$1,840,306)	-1.34%	47
810	Rutherford County Schools	\$59,808,243	\$56,473,090	(\$3,335,152)	-5.58%	66
820	Sampson County Schools	\$66,152,910	\$57,862,505	(\$8,290,405)	-12.53%	99
821	Clinton City Schools	\$23,513,786	\$25,326,056	\$1,812,269	7.71%	8
830	Scotland County Schools	\$48,509,031	\$43,425,683	(\$5,083,348)	-10.48%	95
840	Stanly County Schools	\$66,835,626	\$62,028,524	(\$4,807,102)	-7.19%	80
850	Stokes County Schools	\$47,319,520	\$42,538,315	(\$4,781,205)	-10.10%	92
860	Surry County Schools	\$58,061,959	\$52,742,006	(\$5,319,953)	-9.16%	89
861	Elkin City Schools	\$10,966,246	\$11,048,531	\$82,285	0.75%	34
862	Mount Airy City Schools	\$14,390,637	\$15,678,160	\$1,287,523	8.95%	7
870	Swain County Schools	\$18,155,838	\$16,892,086	(\$1,263,752)	-6.96%	78
880	Transylvania County Schools	\$26,978,720	\$30,838,830	\$3,860,110	14.31%	4
890	Tyrrell County Schools	\$8,441,720	\$4,812,606	(\$3,629,114)	-42.99%	114
900	Union County Schools	\$278,714,140	\$283,776,085	\$5,061,945	1.82%	28
910	Vance County Schools	\$48,891,733	\$39,820,199	(\$9,071,533)	-18.55%	109
920	Wake County Schools	\$1,100,027,057	\$1,149,937,134	\$49,910,078	4.54%	14
930	Warren County Schools	\$19,364,386	\$16,128,505	(\$3,235,881)	-16.71%	106
940	Washington County Schools	\$12,909,426	\$10,513,393	(\$2,396,033)	-18.56%	110
950	Watauga County Schools	\$35,735,331	\$35,079,170	(\$656,161)	-1.84%	50
960	Wayne County Schools	\$144,579,296	\$130,971,793	(\$13,607,502)	-9.41%	90
970	Wilkes County Schools	\$67,444,572	\$62,793,095	(\$4,651,477)	-6.90%	77
980	Wilson County Schools	\$80,677,714	\$77,174,226	(\$3,503,488)	-4.34%	61
990	Yadkin County Schools	\$44,302,839	\$37,902,765	(\$6,400,074)	-14.45%	105
995	Yancey County Schools	\$19,542,421	\$18,376,622	(\$1,165,799)	-5.97%	70