

SMALL COUNTY AND LOW WEALTH SUPPLEMENTAL FUNDS CORRECTING THE SUPPLANTING VIOLATION

One of the requirements to receive Small County and Low Wealth Supplemental Funds is the "non-supplanting" rule. In order for a school system to receive funds, the local appropriation from the County Commission must be at least 95% of the average appropriation for the previous three years. The calculation is done 3 years in arrears (see DPI Spreadsheet A). That is, the 2011-2012 state allocation (Column 1) is based on the 2008-2009 county appropriation (Column 3). To meet the non-supplanting rule, the per pupil 2008-2009 county appropriation (Column 5) must be at least 95% of the average of the three preceding years' allocations (Column 7). As you recall in March of 2009 the local appropriation to the school system was reduced by the reversion of \$513,000. This reduction resulted in the final appropriation falling below the 95% rule. Therefore, we do not meet the non-supplanting requirement for 2011-2012 (Column 11) and will not receive either Small County (\$1.46 million) or Low Wealth (\$405,000) funds. The reductions in the 2009-2010 allocation will have the same result for 2012-2013. However, the increase in the 2010-2011 county appropriation does put us back on good footing in meeting the non-supplanting rule in 2014-2015.

Of course the loss of either Small County or Low Wealth is not acceptable. There is a provision for a waiver of the requirement by the State Board of Education for extraordinary circumstances. I have been told by Phillip Price of DPI that no such waiver has ever been granted nor does he believe will one for our situation. The other remedy is for the County to make a back payment in an amount to correct the supplanting violation for each of the two years. This must be a lump sum payment to the school system for the years in question. That is a minor cost of \$7,633 for the first year but considerably larger (\$261,286) for the second year.

We have been told to avoid lost of funds or an additional payback penalty, the payment must be made during the current fiscal year. It is suggested that the County go ahead and make the payment of \$268,919 for both years and use the 2011-2012 allocation as leverage to recoup the payment. That is, the County would reduce the 2011-2012 appropriation by \$268,919 and use it to pay back the years in question. For example, if the county increased funding by the requested amount of \$250,000 that would increase available funds from \$3,335,660 in 2010-2011 to \$3,585,660 in 2011-2012. But rather than increase the appropriation, it would be reduced by \$268,919 to \$3,316,741. The returned funds (\$268,919) that was added to the school system's 2010-2011 allocation, increasing it to \$3,604,579 would in turn be used to increase the fund balance contribution for 2011-2012 by the same amount. An analysis has been run to determine that in doing so the county would meet the non-supplanting rule under this scenario (see DPI Spreadsheet B).

EXAMPLE 1: Requested Funding Level

2010-2011 Appropriation	\$3,335,660
Increase in net funding	\$250,000
Available funds	\$3,585,660
Correct both years	-\$268,919
2011-2012 Appropriation	\$3,316,741
COST TO COUNTY	\$250,000

The chart below illustrates what the proposed 2011-2012 local current expense allocation would look like. This would not meet the non-supplanting requirement

EXAMPLE 2: Proposed Funding Level

2010-2011 Appropriation	\$3,335,660
Increase in net funding	-\$97,731
Available funds	\$3,237,929
Correct both years	-\$268,919
2011-2012 Appropriation	\$2,969,010
COST TO COUNTY	-\$97,731

The end result would be that the supplanting violations would be rectified, the County would not be out of any additional funds (except for any increase in the 2011-2012 appropriation), and the school system would receive the full Small County and Low Wealth appropriations. The biggest issue affecting the County is the timing of the payback. Since it has to be made during this fiscal year it will negatively impact the fund balance for 2010-2011 but will be made up the following year.

This information was received late last week in an email directed to all finance officers, superintendents, and county managers. I was not able to speak with Mr. Parker until Tuesday of this week since he was out of the office last Friday. We have worked together in drafting a letter to the State board of education requesting a wavier and he and I with the guidance of our respective finance officers reviewed the afore mentioned plan to correct the supplanting violation.



Public Schools of North Carolina

North Carolina Department of Public Instruction

A

**Low Wealth Supplemental Funding
Calculation of Minimum Required Local Appropriation**

LEA # **210**
Chowan County

(Enter Actual Local Appropriation and ADM in the green boxes)
(to calculate minimum required local appropriation)

Low Wealth Supplemental Funding (1)	Actual Local Appropriation				Minimum Required		Difference between Actual and Minimum			
	Local Appropriation (2)	Actual Local Appropriation (3)	ADM (4)	Local Appropriation Per ADM (5)	Prior Three-Year Average (6)	Appropriation Per ADM (7)	Total Appropriation (8)	Appropriation Per ADM (9)	Total Appropriation (10)	Supplanting? (11)
FY 1999-00		\$2,212,232	2,534	\$ 873.02		\$ 888.75	\$ 2,256,536	\$ 214.57	\$ 544,799	Non-Supplant
FY 1998-99		\$2,368,238	2,588	\$ 915.08		\$ 961.68	\$ 2,383,043	\$ 284.87	\$ 705,908	Non-Supplant
FY 1999-00		\$2,629,725	2,582	\$ 1,018.48		\$ 1,066.64	\$ 2,628,201	\$ 234.51	\$ 577,843	Non-Supplant
FY 2000-01		\$2,801,335	2,539	\$ 1,103.32	935.53	\$ 1,156.16	\$ 2,904,274	\$ 178.97	\$ 449,572	Non-Supplant
FY 2001-02		\$3,088,951	2,478	\$ 1,246.55	1,012.29	\$ 1,229.57	\$ 3,081,302	\$ 109.79	\$ 275,140	Non-Supplant
FY 2002-03		\$3,206,044	2,464	\$ 1,301.15	1,122.78	\$ 1,304.86	\$ 3,251,711	\$ 187.17	\$ 455,007	Non-Supplant
FY 2003-04		\$3,353,846	2,512	\$ 1,335.13	1,217.01	\$ 1,358.51	\$ 3,479,144	\$ 199.69	\$ 497,639	Non-Supplant
FY 2004-05		\$3,356,442	2,506	\$ 1,339.36	1,294.28	\$ 1,423.18	\$ 3,461,174	\$ 185.05	\$ 473,924	Non-Supplant
FY 2005-06		\$3,515,514	2,431	\$ 1,446.12	1,325.21	\$ 1,423.18	\$ 3,461,174	\$ (3.14)	\$ (7,632)	Supplant
FY 2006-07		\$3,749,350	2,492	\$ 1,504.55	1,373.54	\$ 1,414.91	\$ 3,374,560	\$ (108.55)	\$ (258,900)	Supplant
FY 2007-08		\$3,953,068	2,561	\$ 1,543.56	1,430.01	\$ 1,352.15	\$ 3,169,440	\$ 70.91	\$ 166,220	Non-Supplant
FY 2008-09		\$3,453,542	2,432	\$ 1,420.04	1,498.08	\$ 1,313.99	\$ 3,048,457	#VALUE!	#VALUE!	#VALUE!
FY 2009-10		\$3,115,660	2,385	\$ 1,306.36	1,489.38	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
FY 2010-11		\$3,335,660	2,344	\$ 1,423.06	1,423.32	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
FY 2011-12			2,320	#VALUE!	1,383.15	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!
FY 2012-13				#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!	#VALUE!

Notes

- (1) Actual Local Appropriation includes supplemental taxes.
- (2) ADM includes cities and charter schools' ADM.
- (3) Minimum required appropriation is 95% of prior three-year average of actual local appropriations.



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B

Low Wealth Supplemental Funding
Calculation of Minimum Required Local Appropriation

LEA #
210 Chowan County

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 (to calculate minimum required local appropriation)

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FY 2013-14		\$3,604,579	2,344	\$ 1,537.79	1,423.32	\$ 1,352.15	\$ 3,169,440	\$ 185.64	\$ 435,139	Non-Supplant
FY 2014-15		\$3,316,741	2,320	\$ 1,429.63	1,421.40	\$ 1,350.33	\$ 3,132,766	\$ 79.30	\$ 183,975	Non-Supplant
FY 2015-16				#VALUE!	1,424.59	\$ 1,353.36	#VALUE!	#VALUE!	#VALUE!	#VALUE!

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