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June 10, 2014

Haywood County Schools Funding Formula

The “Funding Formula” came to light at the Commissioner Budget Workshop #2, April 17, 2014 [re: <http://haywoodtp.net/pubTP/T140502.pdf>]. It was the first time I had ever recalled hearing of this, and I have been attending these Budget Workshop’s for several years. These funding formula’s (there are currently three revisions in all) have been used to determine the amount of funding that will be proposed in each Haywood County yearly Budget for Haywood County Schools.

There have been three (3) “Resolutions” by County Commissioners over the past ten years that have established these funding formula’s. To me, the funding formula’s are patterned after the Haywood County Revenue-Neutral Tax Rate Calculation, because the concept of an average annual percentage increase (over 5 years) is contained in both.

The three Resolutions appear as attachments at the end of this little piece. The following is a summary of each funding formula. The portion of the equation that is underlined in the 2006 formula represents a change from the 2003 formula, and the portion of the equation that is underlined in the 2009 formula represents a change from the 2006 formula.

2003 Funding Formula

PPA (Per Pupil Appropriation) increased by 5 year average of percentage increase (x)
NC DPI projected ADM (Average Daily Membership) (+)
ABC Revenues = Total Expense Appropriation from the County

2006 Funding Formula

PPA (Per Pupil Appropriation) increased by 5 year average of percentage increase (x)
Current Fiscal Year’s 10 day ADM increased by 1%, Adjusted to Actual Budget Year 10 day ADM when available (+)
ABC Revenues = Total Expense Appropriation from the County

2009 Funding Formula

PPA (Per Pupil Appropriation) increased by 5 year average of percentage increase (x)
NC DPI ADM state planning allotment, using highest projection amount, and adjusted to actual budget year 10 day ADM when information becomes available (+)
ABC Revenues = Total Expense Appropriation from the County

Notes:

NC DPI - Department of Public Instruction
ABC Revenues - Liquor tax contribution

In the years of following Haywood County Budgets, in order for me to fully understand processes better, I have found it useful to develop concurrent spreadsheets. This is also useful for double checking Julie Davis, Finance Director for Haywood County, and in this manner, discovered an error in one of the values of the last Revenue-Neutral Tax Rate Calculation. Julie Davis corrected the error with Rev. 1 of that document.

I had requested from Julie Davis, the custodian of this public information, all funding formula data (original values, equations used in her spread sheets) over the past ten (10) years. I received pdf files on 6/4/2014 of the current year calculation and a pdf file summarizing her calculations. These two pages follow the Resolutions.

This shows that funding for 2014-2015 will increase by 2.33% for a total appropriation of \$14,645,044. The spread sheet summary she provided (it is not a spread sheet provided in standard .xls format at all, but simply a pdf capture of hard data within the spread sheet) begins in the year 2005 - 2006, not 2003. Consequently, Julie Davis failed to provide any source values and calculation formula's that I had originally requested that would be useful in duplicating a spread sheet, checking her work, over the life of these Resolutions.

In attempting to re-create my own spread sheet, I found I had to rely on the values in Julie Davis's pdf summary to fill in values for each calculation. When spot checks were cross-checked between her data and that of North Carolina, [re: <http://www.ncpublicschools.org/fbs/allotments/support/>], they did not correlate.

What?

There is an engineering phrase that is sometimes used when an engineer is grinding through equations -

“Garbage In” = “Garbage Out”.

Julie Davis, at this point in time, is completely uncooperative to providing any additional information than what has been provided to me on 6/4/2014. It is like she is taking lessons from David Francis (Haywood County Tax Collector, a.k.a. Tax Administrator) on how to dive into a bunker. My spread sheet is in such a mess at this point, it is not worth including in this piece.

Fortunately, Julie Davis is not the only one in North Carolina that has access to statistical history regarding Public School Data. The task at hand now is to plow through historical numbers and come up with values to re-create these funding formula's over the past ten years. People / Institutions /Sources that are interested in assisting obtaining this information are:

- Haywood County School System,
- John Locke Foundation,
- Statistical Data obtained from <http://www.ncpublicschools.org> and other websites.

If someone like me takes the effort to double check her calculations, and everything turns out to be the same, then Julie Davis should welcome this effort, and she should get an “atta-girl” for her fine work! However, Julie is not infallible [re: evidenced by an error on a value (not the actual calculation) in the last Revenue-Neutral Tax Rate Calculation], and if there are discrepancies, then this should be brought to everyone's attention. The problem here is that a tiny-winy mistake in this formula can have a drastic effect on the final numerical result, currently at \$14,645,044.

You would think that anyone in this county (who has not been subjected to Common Core Math) could complete these calculations and perform the double check that I am attempting to do. However, I have yet to find a single person who has done so! Only one other person, at this time, has made a stab at reduplicating these calculations. Does anyone here see a potential conflict of interest with Julie Davis, who now along with Ira Dove, share responsibility for creating each new Haywood County Budget, and Julie Davis being the only person to perform these funding formula calculations and no one being able to check them?

You know, this resistance to being forthcoming with data generates some additional questions to be asked. What would have happened if the first Resolution had not been changed. What would funding be now? This questions is easily answered once one had a working spread sheet. Why was the first funding formula changed? What would current funding be if the second formula was not changed, and why was that formula changed?

Julie Davis has already computed next years percentage increase of PPA, using the current formula. Do you know what that increase is?

2015-2016 increase is .89% (from 2.33%)

It appears that the county commissioners have the Haywood County School System right where they want them - with their thumb on the budget.

The current Resolution states:

“NOW, THEREFORE, BE IT RESOLVED that the Board of County Commissioners hereby adopts this resolution establishing the formula for funding for school current expense for the next three years, unless unusual economic conditions dictate otherwise, after which the funding formula will be reviewed”.

We have been under unusual economic conditions since 2008. The reason, Barack Obama.

When Anne Garrett requested an increase of 6.87% increase for this school year

[re: <http://haywoodtp.net/pubII/140427HCSBudgetPresentation.pdf>]

and the formula provided 2.33% and will get .89% next year, it does not take a genius to figure out that the funding formula is not working.

Ideally (as has already been suggested), the funding formula would be based primarily on enrollment with increases for inflation built in.

What is the state of this current funding formula? It is radioactive.

As you can see, this is a work-in-progress, so expect an update as additional data comes in to complete the spread sheet.

Monroe A. Miller Jr.
Haywood County Taxpayer

Resolution

FORMULA FOR FUNDING SCHOOL CURRENT EXPENSE

WHEREAS, funding of education is a top priority for Haywood County; and

WHEREAS, the Haywood County Board of Commissioners desires that Haywood County Schools are funded in the top per pupil funding statewide in appropriations from local resources; and

WHEREAS, the County Board of Commissioners and the Board of Education agree that the best system for funding school current expense is on a per pupil allocation; and

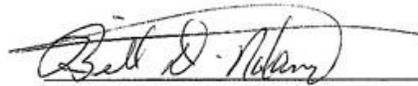
WHEREAS, a committee appointed by the Board of County Commissioners and the Board of Education has arrived at a suitable funding formula as follows:

Haywood County Per Pupil Appropriation increased by the 5-year Average Percent Increase x
NC Department of Public Instruction Projected Average Daily Membership (ADM) +
ABC Revenues =
Total Current Expense Appropriation from the County.

NOW, THEREFORE, BE IT RESOLVED that the Board of County Commissioners hereby adopts this resolution establishing the formula of funding for school current expense for the next three years, unless unusual economic conditions dictate otherwise, after which the funding formula will be reviewed.

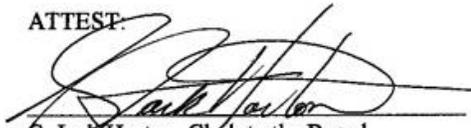
Adopted this 8th day of July 2003.





Bill D. Noland, Chairman
Haywood County Board of Commissioners

ATTEST:



C. Jack Horton, Clerk to the Board

Resolution

FORMULA FOR FUNDING SCHOOL CURRENT EXPENSE

- WHEREAS,** funding of education is a top priority for Haywood County; and
- WHEREAS,** the Haywood County Board of Commissioners desires that Haywood County Schools are funded in the top per pupil funding statewide in appropriations from local resources; and
- WHEREAS,** the County Board of Commissioners and the Board of Education agree that the best system for funding school current expense is on a per pupil allocation; and
- WHEREAS,** after three years of budgeting with the original formula, it has been determined that a formula for current expenditure allocation has been beneficial to both the county and the school system; and
- WHEREAS,** it has been determined that the original formula could be improved by including an adjustment to the estimated appropriation as soon as the 10 day ADM number is available in order to more accurately calculate the historic five year average ADM, to parallel the state's allocation procedure, and to reinforce the per pupil allocation purpose, as follows:

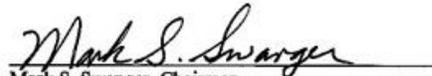
$$\begin{aligned} & \text{Haywood County Per Pupil Appropriation increased by the 5-year Average Percent Increase} \times \\ & \text{Current Fiscal Year's 10 day ADM increased by 1\%, and} \\ & \text{Adjusted to Actual Budget Year 10 day ADM when available} + \\ & \text{ABC Revenues} = \\ & \text{Total Current Expense Appropriation from the County.} \end{aligned}$$

NOW, THEREFORE, BE IT RESOLVED that the Board of County Commissioners hereby adopts this resolution establishing the formula of funding for school current expense for the next three years, unless unusual economic conditions dictate otherwise, after which the funding formula will be reviewed.

BE IT FURTHER RESOLVED that the adjustment for current expense that will be made after the 10 day ADM figure is known should be transmitted to the County Board of Commissioners and the school administration as soon as practicable so that both boards may finalize their budgets.

Adopted this 6th day of March 2006.




Mark S. Swanger, Chairman
Haywood County Board of Commissioners

ATTEST:


Richard L. Honeycutt, Clerk to the Board

Resolution

FORMULA FOR FUNDING SCHOOL CURRENT EXPENSE

- WHEREAS,** funding of education is a top priority for Haywood County; and
- WHEREAS,** the Haywood County Board of Commissioners desires that Haywood County Schools are funded in the top per pupil funding statewide in appropriations from local resources; and
- WHEREAS,** the County Board of Commissioners and the Board of Education agree that the best system for funding school current expense is on a per pupil allocation; and
- WHEREAS,** after six years of budgeting with a formula, it has been determined that a formula for current expenditure allocation has been beneficial to both the county and the school system; and
- WHEREAS,** it has been determined that the current formula could be improved by changing the ADM portion of the formula to reflect the highest ADM projected amount before adjusting to the actual 10 day ADM number to parallel the state's allocation procedure, and to reinforce the per pupil allocation purpose, as follows:

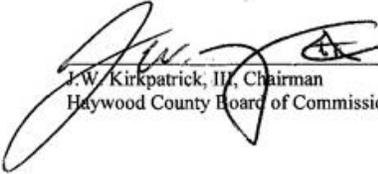
Haywood County Per Pupil Appropriation increased by the 5-year average percent increase, x NC Public Schools DPI ADM state planning allotment, using the highest projection amount, and adjusted to actual budget year 10 day ADM when information becomes available, +
ABC Revenues =
Total current expense appropriation from the County.

NOW, THEREFORE, BE IT RESOLVED that the Board of County Commissioners hereby adopts this resolution establishing the formula of funding for school current expense for the next three years, unless unusual economic conditions dictate otherwise, after which the funding formula will be reviewed.

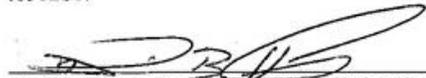
BE IT FURTHER RESOLVED that the adjustment for current expense that will be made after the 10 day ADM figure is known should be transmitted to the County Board of Commissioners and the school administration as soon as practicable so that both boards may finalize their budgets.

Adopted this 16th day of March 2009.




J.W. Kirkpatrick, III, Chairman
Haywood County Board of Commissioners

ATTEST:


David B. Cotton, County Manager and Clerk to the Board



FY2014-2015 Haywood County Public School Funding Formula

Since funding of education is a top priority for Haywood County and it is the desire that Haywood County Schools are funded in the top per pupil funding statewide in appropriations, the Haywood County Board of Commissioners established and adopted a formula for funding of school current expense.

Steps in determining the appropriation for public school current expense funding:

- Step 1:** begin with the current year per pupil appropriation.
- Step 2:** Increase the amount by the average increase over the past five years.
- Step 3:** Multiply by the NC Department of Public Instruction state pupil planning allotment.
- Step 4:** Adjust step 3, when the actual pupil count is known.

Funding Formula: Haywood County Per Pupil Appropriation increased by the 5-year average percent increase, X NC Public Schools DPI ADM state planning allotment, using the highest projection amount, and adjusted to actual budget year 10 day ADM when information becomes available + ABC revenues = Total current expense appropriation from the County.
 PPA = Per Pupil Appropriation
 DPI = NC Department of Public Instruction
 ADM = Average Daily Membership (number of pupils attending school)

Step 1: Begin with the current budget year (FY13-14) per pupil appropriation:

| | |
|-----------------------------------|--------------------|
| FY2013-14 per pupil appropriation | \$ 1,899.09 |
|-----------------------------------|--------------------|

Step 2: Increase the amount by a factor equal to the average annual percentage increase over the last five years:

| Fiscal Year | Annual % Increase | 5 year Ave. % Increase |
|-----------------------|-------------------|------------------------|
| 2009-2010 | 9.517% | |
| 2010-2011 | 1.031% | |
| 2011-2012 | -2.656% | |
| 2012-2013 | 2.166% | |
| 2013-2014 | 1.594% | |
| Average annual growth | | 2.33% |

| | |
|---|-------------------|
| FY2014-15 appropriation to public school system (2.33% growth factor applied) $= 1,899.09 \times 1.0233$ | \$1,943.34 |
|---|-------------------|

Step 3: Multiply by the NC Department of Public Instruction state pupil planning allotment:

| | |
|---|---------------------|
| FY2014-15 NC DPI state pupil planning allotment –highest estimate – 7,536 $= 1,943.3445 \times 7,536$ | \$14,645,044 |
|---|---------------------|

Step 4: Adjust when the actual pupil count is known – usually in August of each new fiscal year.

HAYWOOD COUNTY and BOARD OF EDUCATION
BUDGET FORMULA for SCHOOL APPROPRIATIONS
JHD

| | YEAR | HAY. CO. PPA | % INCREASE | new 5yr % incr. for subsequent yr. |
|-------------------------|-----------------------------|---------------|------------|--|
| | 2001/02 | 1,293 | 6.80% | 5.03% |
| | 2002/03 | 1,341 | 3.73% | 5.17% |
| | 2003/04 | 1,419 | 5.77% | 5.07% |
| new 5yr avg. | 2004/05 | 1,489 | 5.01% | 5.25% |
| | 2005/06 | 1,519 | 3.77% | 5.37% |
| base yr for new formula | 2006/07 | 1,652 | 4.89% | 5.02% |
| | 2007/08 | 1,735 | 5.02% | 5.28% |
| | 2008/09 | 1,899 | -2.09% | 3.89% |
| | 2009/10 | 1,899 | 9.52% | 4.62% |
| | 2010/11 | 1,899 | 1.03% | 3.67% |
| | 2011/12 | 1,839 | -2.69% | 2.17% |
| | 2012/13 | 1,889 | 2.17% | 1.58% |
| | 2013/14 | 1,899 | 1.59% | 2.33% |
| | 2013/15 | 1,943 | 2.33% | 0.65% |
| ACTUAL FY06 | Fiscal Year 2005-2006 | | | |
| 12,488,344 | County Approp | \$ 12,381,006 | | 5.56% |
| (before formula calc) | ADM | 7,897 | | |
| | County Allocation per pupil | \$ 1,569 | | 5.26% |
| First yr of new formula | Fiscal Year 2006-2007 | | | |
| | County Approp | \$ 13,129,547 | | 6.05% |
| | ADM | 7,948 | | adjusted at 10 day ADM (original formula calculated to 7976) |
| | County Allocation per pupil | \$ 1,852 | | 5.37% |
| Five year average | | | | |
| 2nd yr of new formula | Fiscal Year 2007-2008 | | | |
| | County Approp | \$ 13,932,093 | | 5.88% |
| | ADM | 8,013 | | adjusted at 10 day ADM (original formula calculated to 8027) |
| | County Allocation per pupil | \$ 1,734.94 | | 5.02% per pupil alloc increase over prior year |
| YR 1 | | | | |
| 3rd yr of new formula | Fiscal Year 2008-2009 | | | |
| | County Approp | \$ 13,426,420 | | -3.42% \$1 increase over prior year |
| | ADM | 7,934 | | adjusted at 10 day ADM (original formula calculated to 8092) |
| | County Allocation per pupil | \$ 1,696.75 | | budget adjusted - decreased due to economy - all functions decreased across the board. |
| YR 2 | | | | |

FORMULA:

$$\text{Approved County PPA, X (1 plus 5-year average \% increase per year) + 1/10 (10 day ADM rate planning element, using the highest previous amount, and adjusted to actual 10 day ADM when available) + 1 County Appropriation, multiplied by 894-13} = \$14,545,014$$

| | | | | |
|-----------------------|-----------------------------|---------------|--------|--|
| Fiscal Year 2009-2010 | County Approp | \$ 14,483,337 | 7.27% | |
| | ADM | 7,742 | | adjusted at 10 day ADM (original formula calculated to 8174) budget adjusted - isolated amounts |
| | County Allocation per pupil | \$ 1,803.41 | 0.52% | per pupil alloc increase over prior year |
| Fiscal Year 2010-2011 | County Approp | \$ 14,483,337 | 0.00% | |
| | ADM | 7,883 | | adjusted at 10 day ADM (original formula calculated to 7750) but budget due to economic conditions |
| | County Allocation per pupil | \$ 1,879.53 | 1.03% | per pupil alloc increase over prior year |
| Fiscal Year 2011-2012 | County Approp | \$ 13,971,307 | -3.00% | |
| | ADM | 7,835 | | adjusted at 10 day ADM (original formula calculated to 7888) adjusted due to economy |
| | County Allocation per pupil | \$ 1,823.66 | -2.66% | per pupil alloc increase over prior year |
| Fiscal Year 2012-2013 | County Approp | \$ 14,144,926 | 1.24% | |
| | ADM | 7,987 | | adjusted at 10 day ADM (original formula calculated to 7865) ADJUSTED 11/18/2012 |
| | County Allocation per pupil | \$ 1,869.29 | 2.17% | per pupil alloc increase over prior year |
| Fiscal Year 2013-2014 | County Approp | \$ 14,402,707 | 1.82% | 14,402,707 |
| | ADM | 7,984 | | adjusted at 10 day ADM (original formula calculated to 7564) 14,394,726 |
| | County Allocation per pupil | \$ 1,899.09 | 1.59% | per pupil alloc increase over prior year 37,991 |
| Fiscal Year 2014-2015 | County Approp | \$ 14,645,044 | 1.68% | |
| | ADM | 7,938 | | adjusted at 10 day ADM (original formula calculated to 7530) |
| | County Allocation per pupil | \$ 1,943.34 | 2.33% | per pupil alloc increase over prior year |