



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**

PAT MCCRORY
GOVERNOR

ANDREW T. HEATH
STATE BUDGET DIRECTOR

February 4, 2016

Dr. June St. Clair Atkinson
Superintendent
Department of Public Instruction
301 N. Wilmington Street
Raleigh, NC 27601

Dear Superintendent Atkinson:

Thank you for your commitment to education, and the work that you do for our school children. OSBM is committed to assisting DPI through the budgetary process, including proper allocation of funding increases that were signed into law last session. Please allow this letter to serve as a request for clarification given recent conflicting budget-related information emanating from DPI so that OSBM can assist you in achieving your agency's needs.

Session Law 2015-241 increased spending for the Excellent Public Schools Act by \$3.8 million. Separately, Session Law 2015-241 decreased DPI's administrative costs by \$2.5 million, and allowed DPI to achieve these costs through flexible reduction. OSBM reviewed a DPI proposal dated January 8, 2016 for the implementation of the \$2.5 million flexible reduction directed in Session Law 2015-241. However, OSBM's review of DPI's January 8 proposal revealed that DPI would have redirected more than \$2 million of Excellent Public Schools Act funds to refinance existing DPI operations, and achieved operational savings of less than \$500,000.

Specifically, the January 8 proposal would use \$2,031,276 of Excellent Public Schools Act funds to backfill reductions to DPI positions and operations. As an example, DPI proposed decreasing one position (\$114,549) in the Office of Early Learning Administration. In the same request, DPI also proposed to increase the Office of Early Learning Administration by one position (\$114,549) from Excellent Public Schools Act funding. Through this and similar actions, more than \$2 million of Excellent Public Schools Act funding that was intended to expand services such as K-3 literacy would instead be used to support existing administration within the DPI.

OSBM approval is required before an agency can move funds within their budget to distribute a negative reserve. Offsetting DPI's flexible reduction with Excellent Public Schools Act funding is inconsistent with the enacted budget, and cannot be approved by this Office. It is clear the legislature intended to reduce General Fund support for DPI operations to the level of \$45.3 million, separate and apart from the additional funding provided to implement the Excellent Public Schools Act. It is equally clear that the legislature intended to increase services and support for the Excellent Public Schools Act by \$3.8 million in FY 2015-16 and \$8.5 million in FY 2016-17. This expansion will not be accomplished if DPI's January 8 proposal, or any substantially similar proposal, were approved wherein existing positions and workload would simply be relabeled as support for the Excellent Public Schools Act.

Following concerns that President Pro Tempore Berger recently raised, OSBM received a copy of a February 3, 2016 response from DPI. The February 3 response to Senator Berger appears to differ from the January

8, 2016 proposal DPI submitted to OSBM, but it is unclear whether the difference is substantial or simply employs the same fund shifting approach as the January 8 proposal. Accordingly, **OSBM respectfully requests that DPI submit a detailed proposal to OSBM that clearly and succinctly demonstrates a reduction of \$2.5 million in operating and administrative expenses that does not detract from the \$3.8 million increased investment to improve reading in our schools.** In short, DPI needs to show that the \$3.8 million increase, and the other Excellent Public Schools Act funds appropriated by the General Assembly for this purpose, are going to maintain and increase services to the students (not the administrators), and that the \$2.5 million in savings are achieved by streamlining DPI's administration.

I appreciate your attention to this matter, and look forward to working with you to further our children's education through a transparent and straightforward budgetary process.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Heath".

Andrew Heath

cc: Bill Cobey, Chair, State Board of Education
Philip Price, DPI