Average Daily Membership (ADM) Enrollment Growth
Issue Brief

Background

Since 1933 North Carolina statute required that student enrollment growth estimates (ADM growth) be built into the foundation of each fiscal year’s State public school budget. Under this practice, the Department of Public Instruction would recalculate all existing allotment funding formulas based upon projected student enrollment changes for the upcoming fiscal year. School districts would then be given an estimate of how much State funding they could expect for the upcoming fiscal year if all allotment formulas were to be fully funded and not revised. This would be built into the Continuation Budget submitted to the General Assembly and thus set a starting point funding level for the State public school budget which State lawmakers would have to work off of each budget cycle. In the 2014 budget, there was a policy change that removed ADM enrollment growth from the annual base budget calculation. Instead of being automatically built into the base budget, ADM growth will have to be appropriated in the Expansion Budget as separate line items for funding in the budget.

The stated reason for this policy is at times the estimated enrollment is larger than the actual enrollment. Each budget cycle usually has a line-item that revises ADM growth from initial estimates. Legislators have stated that they intend to fully fund enrollment growth. However, going forward there is a real fear that these otherwise guaranteed increases in funding will now have to compete with other budget items and could easily lead to underfunding.

If not funded, this will affect the funding of every LEA not just the LEAs that are growing. If the size of the appropriation does not change to keep up with the enrollment growth financial resources will be shifted from stable or shrinking school districts to growing ones. The end result would be all LEAs receiving less money per student that the year before.

ADM enrollment growth’s inclusion in the base budget has also been important to budget setting processes at the local level. Since local education budgets must be submitted by May 15 of each year, well before the State budget process is typically completed, local school boards have relied on the automatic adjustment for ADM growth to provide an assurance that their expected student population increases in the upcoming school year will be funded at the State level. School districts also use the funding levels estimated from recalculating State allotment formulas for estimated ADM growth as a baseline for building their local budgets. Without ADM growth in the base budget, school districts will not know until the budget is finalized in July or August how much funding they can expect and whether their enrollment increases will be fully funded, making the local budget planning process that much more difficult and uncertain. Since most other funding areas are based off of the initial funding estimates, districts will not know how many teachers and teacher assistants they can hire, how much they will have for supplies and other needs.

NCSBA Position

This policy change has the potential to drastically affect future education budgets. Having to fight for enrollment growth like any other line item can lead to it being easier to fund public education at a lower level. Although at the moment the institutional knowledge remains of legislators, lobbyists, and the education community, there is a real fear that in the coming years this will be forgotten if not fixed.

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1 S.L. 2014-100, Sec. 6.4.