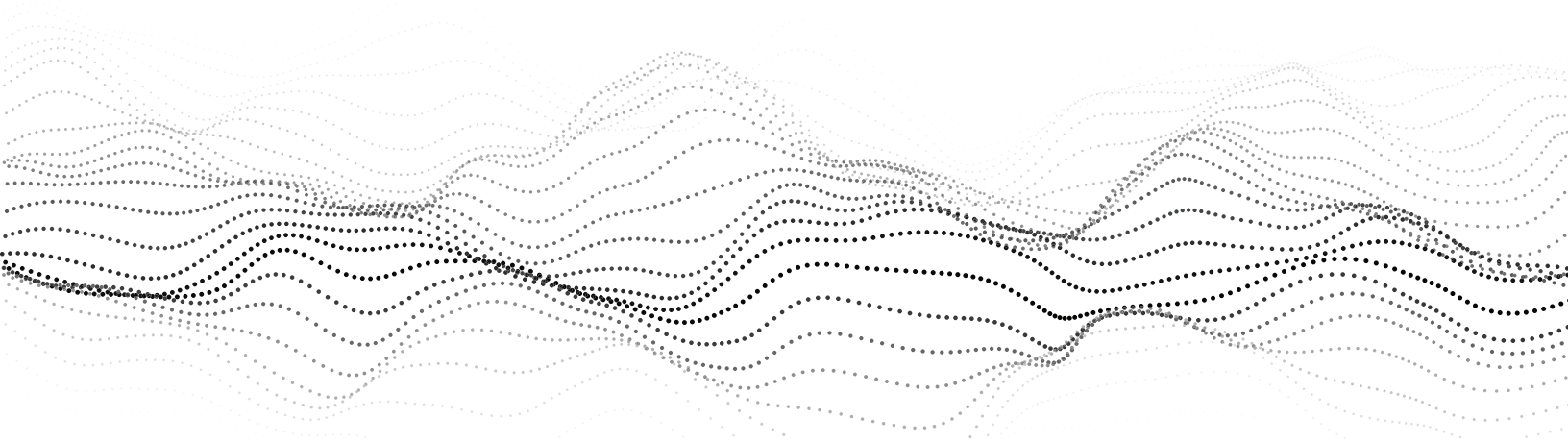
basis policy research

OVERVIEW

Study of Weighted Student Funding for North Carolina

DESIGN, TRANSITION, AND ACCOUNTABILITY



WHY THIS STUDY

Section 8.22 of the 2026 Current Operations Appropriations Act (S.L. 2026-41) directs the Office of Learning Research at the Collaboratory to convene a Work Group of public education finance experts, including the Department of Public Instruction (NCDPI) and BEST NC, to study and develop a strategy for transitioning the state to a weighted student funding model and report that strategy to the Joint Legislative Education Oversight Committee (JLEOC) by July 15, 2027. At a minimum, the Work Group will consider: (1) consolidating nonteaching support funds into a per pupil-based allotment with significant flexibility; (2) transitioning teacher pay from a position allotment to a dollar allotment based on average daily membership, maintaining student-based funding with greater average teacher pay transparency and flexibility; (3) reassigning all project- or resource-based funding into a set of designated line items; (4) determining whether need-based funds can be consolidated and transitioned into a per pupil figure; and (5) reporting on spending and provide any other needed accountability for the use of State funds. The Work Group must also examine whether to transfer responsibility for disbursing funds to local school administrative units from NCDPI to the State Education Assistance Authority (SEAA).

North Carolina distributes most state K–12 funding through a mix of position-based, categorical, and program-specific allotments. A weighted student funding model provides a base amount for each student and additional funding through weights that reflect differences in student need, educational

cost, and district circumstances. Such a model can be designed to provide greater **transparency** and **local flexibility** while directing more resources to students and districts with greater needs. The Work Group's task goes beyond designing a weighted formula. It must also determine how North Carolina could move to one while preserving the essential protections and functions of the current allotment system.

BUILDING ON PRIOR WORK

The study builds on two recent examinations of North Carolina's funding system. The John Locke Foundation (2024) documented the complexity, opacity, and uneven treatment of students and districts under the current allotment system and recommended a transition to student-based funding. The Public School Forum of North Carolina (2026), drawing on a two-year stakeholder process, established guiding principles for reform, examined weighted funding approaches in other states, and modeled illustrative scenarios. Coming from different vantage points, both reached the same conclusion: the current system needs significant improvement. The Work Group will build on that work rather than duplicate it. It will first replicate the Forum's district- and charter-level modeling to establish a shared, verified baseline, then extend the analysis to the design, accountability, and transition decisions the legislative charge requires.

WHAT THE STUDY WILL ADDRESS

- **Formula design.** Assess which current allotments should be consolidated, converted to student weights, retained as categorical allotments, or eliminated. Examine the base amount, need-based weights, teacher-position conversion, nonteaching support funding, charter school treatment, categorical allotments, and student-count methodology.
- **Distributional consequences.** Model how alternative formula specifications affect districts and charter schools with different student populations, sizes, geographies, fiscal capacities, enrollment trajectories, and current funding levels. Test the sensitivity of results to key choices involving weights, eligibility definitions, the base amount, student counts, and transition protections.
- **Administration and accountability.** Develop reporting and accountability approaches for tracking how weighted funds are used and whether resources reach the students who generate them. Assess the data, systems, staffing, and administrative capacity needed to operate the formula and examine the implications of disbursing funds through NCDPI versus the State Education Assistance Authority (SEAA).
- **Transition strategy.** Develop a three-year transition strategy to address phase-in and hold-harmless protections, statutory and administrative changes, appropriations, data and system changes, technical assistance, staff capacity, communications, and implementation costs for districts and schools.

HOW THE WORK IS ORGANIZED

The NC Collaboratory awarded a research grant to Basis Policy Research (Basis) to serve as the Research Team and carry out the study. The Work Group will advise the Research Team throughout the project. Three workstreams proceed concurrently and inform one another throughout the ten-month project:

1. **Formula design and modeling.** Map the function of each existing allotment; build and validate a district and charter simulation model; test alternative formula specifications; and analyze distributional effects and transition protections.
2. **Administration, accountability, and disbursement.** Examine disbursement, financial reporting, accountability, data infrastructure, systems, staffing, and administrative capacity, with particular attention to feasibility and burden on state agencies, districts, and charter schools.
3. **Evidence and engagement.** Conduct targeted case studies of states with weighted funding experience and structured interviews with up to 50 North Carolina stakeholders to understand implementation lessons, differing perspectives, and needs related to transition, technical assistance, communications, and accountability.

The Work Group will meet at six decision points between October 2026 and May 2027. The three workstreams will converge in spring 2027 into a recommended formula design and year-by-year transition strategy specifying the statutory changes, appropriations, administrative actions, data and system changes, technical assistance, and monitoring indicators required at each stage. The strategy will distinguish temporary transition provisions from permanent features of the funding system.

WHO IS INVOLVED

Section 8.22 directs the NC Collaboratory's Office of Learning Research to establish the Work Group, which includes NCDPI, BEST NC, and other relevant stakeholders. The Collaboratory awarded a research grant to Basis Policy Research to serve as the Research Team. The Work Group advises the Research Team, with support from subject matter experts in education finance, North Carolina education practice and policy, and law.

SCOPE

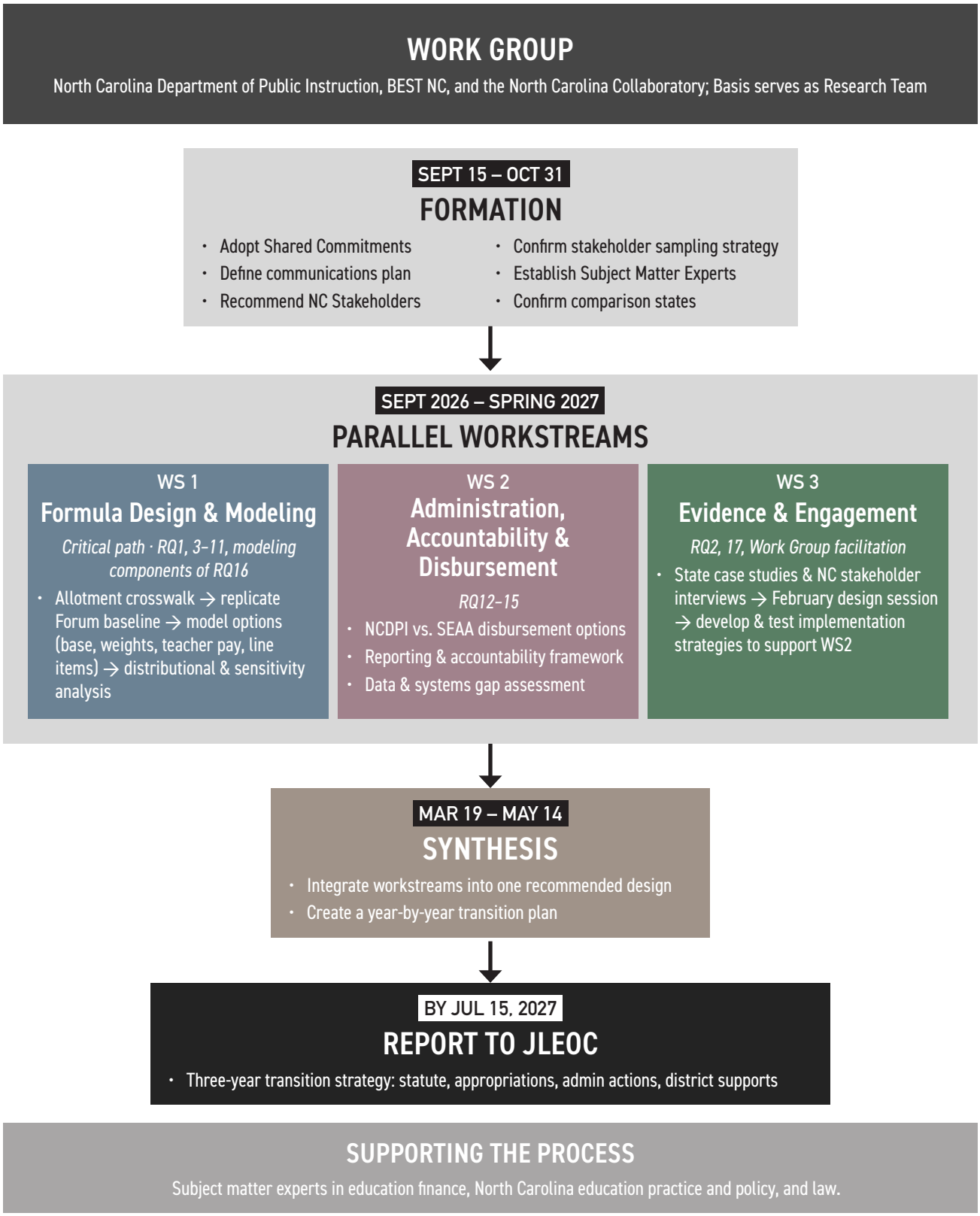
The legislative charge is about how North Carolina distributes state education dollars to districts and charter schools. This is not an adequacy study, so the study will not estimate adequate education costs or propose a new required local contribution.

The study will, however, include the Low Wealth Supplemental Funding allotment, which is how the state currently accounts for differences in counties' ability to fund schools. When simulated allocations are compared to current ones, each district's current funding will include its Low Wealth dollars. The study will also look at whether Low Wealth should remain a separate allotment or be built into a weighted formula, what would happen to its minimum-effort and non-supplant requirements, and possibly other ways to measure local fiscal capacity.

Charter schools will be included in the modeling and analysis as far as the data allow.

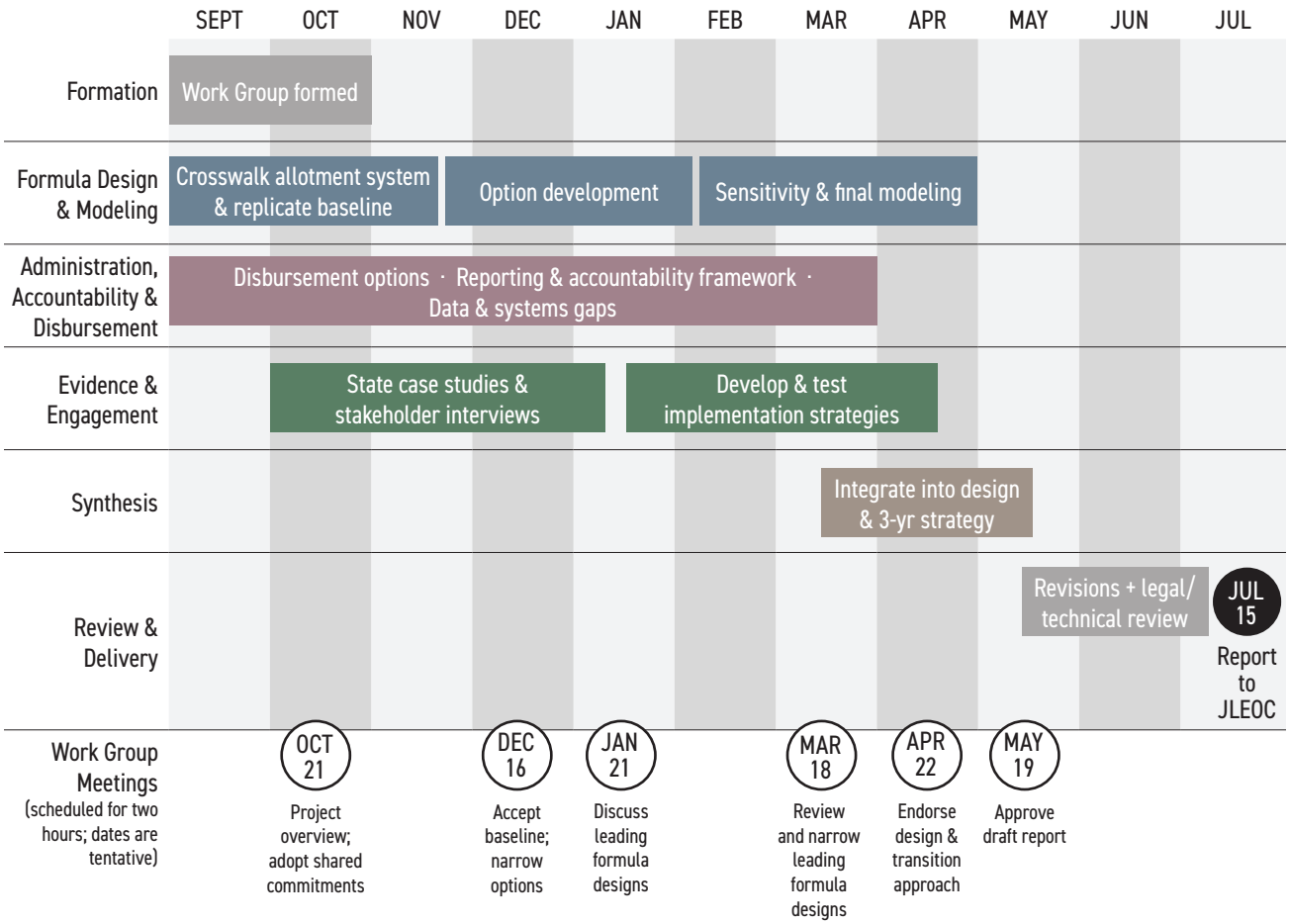
PROCESS

Three parallel workstreams feed a Work Group, which evaluates evidence and advises at five key meeting points. The process culminates in a report and three-year transition strategy for JLEOC.



TIMELINE

September 2026 start → final report and strategy delivered to JLEOC by July 15, 2027



Project updates posted to the WSFF Study webpage within two weeks of Work Group meetings

RESEARCH QUESTIONS

- WS1: Formula design and modeling
- WS2: Administration, accountability, and disbursement
- WS3: Evidence and engagement
- Synthesis

Foundation RQ1–2

RQ1	What functions does North Carolina's current allotment system perform (fiscal, programmatic, protective, political), and which must be preserved, modified, consolidated, or retired under a student-based system?
RQ2	What can North Carolina learn from states that have recently adopted, revised or begun implementing weighted student funding, e.g., how they sequenced the transition, converted personnel funding, defined accountability, supported districts through implementation, etc.? What did they learn in early years of operation?

Formula Architecture RQ3–7

RQ3	How could North Carolina transition teacher funding from position allotments to ADM-based dollar allotments while maintaining districts' ability to recruit and retain effective educators? How would this redistribute funds across districts? What mechanisms could mitigate effects of redistribution? What effect would this transition have on transparency around teacher compensation?
RQ4	Which nonteaching support funds can be consolidated into a per-pupil allotment, and what does "significant flexibility" require in statute, allotment policy, and reporting to be real at the district and school level?
RQ5	Can existing need-based funds be consolidated and converted into per-pupil weights? If so, how should weights be structured? What eligibility measures and data are available to operate each weight, and what are the consequences of the measurement choices available?
RQ6	Which project-, resource-, and categorical funding streams should become designated line items, which should be incorporated into the formula, and which should be funded through another mechanism entirely?
RQ7	What should the base per-pupil amount comprise, how should its level be set and adjusted over time, and what would each approach imply for the total appropriation?

Consequences RQ8–11

RQ8	What would alternative designs mean for the distribution of state funds across districts of different size, geography, student composition, fiscal capacity, enrollment trajectory, and current funding level? How sensitive are results to weights, eligibility definitions, and base level?
RQ9	How should the formula address districts whose costs are driven by scale rather than student need (e.g., very small, sparse, or fixed-cost-heavy)? Are per-pupil weights sufficient, or is a minimum allocation, small-district adjustment, or standing exception needed?
RQ10	How would a weighted funding formula change charter school funding, which currently receive a per-pupil share of State funds calculated from the allotments of the local school administrative unit in which each student resides, plus a local per-pupil transfer? What design choices does the transition require for charters?
RQ11	What student count should the formula use (ADM, enrollment, a single count date, or a multi-year average), and what are the consequences of each choice for budget stability and for the State's fiscal exposure? What protections, if any, should apply to districts experiencing sustained enrollment decline?

Accountability & Administration RQ12–15

RQ12	What financial reporting should accompany increased flexibility? What should districts and schools report, at what granularity and cycle, and how can the State make school-level spending visible without a burden that negates flexibility?
RQ13	What additional accountability is needed for use of State funds under a flexible formula? What evidence should the State expect that weighted dollars reach and impact the students who generate them, and how should that evidence relate to existing accountability and growth measures?
RQ14	What are the advantages, disadvantages, feasibility, and implementation implications of transferring disbursement from NCDPI to SEAA? What functions beyond disbursement accompany that responsibility, and where would they reside under each option?
RQ15	What State and local administrative systems, data infrastructure, staffing, and capacity would a weighted student funding model require, and what is the current gap? Which data elements would be needed, and what would be required to reliably collect those that are not collected today?

Transition RQ16–18

RQ16	What sequence of policy, funding, and administrative changes would move North Carolina to the recommended system over three years? What transition protections are warranted, what would they cost, how long should they last, and how should they be phased out?
RQ17	What guidance, messaging, and technical assistance will administrative units and the schools within them need to implement the new model? What must each audience understand, when, and through what channels? What will implementation require of districts, and what will it cost?
RQ18	Which combination of design and transition choices best satisfies the legislative charge and the constraints identified through this study, and what is the recommended three-year strategy, including the statutory changes, appropriations, administrative actions, and district supports required each year?

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- WS2: Administration, accountability, and disbursement
- WS3: Evidence and engagement
- Synthesis