

GUIDANCE FOR SUPPLEMENTAL FUNDS FOR TEACHER COMPENSATION (PRC 071) [NC SL 2023-134 Section 7A.4](#)

This document supersedes the guidance published based on SL2022-74 Section 7A.9

Overview

This document is intended to provide guidance regarding expenditure of the supplemental funding for teacher compensation provided in Section 7A.4 of the Appropriation Act of 2023 (NC SL 2023-134). Initiated in fiscal year 2021-2022, through the Appropriations Act of 2021, the North Carolina General Assembly created recurring funding for LEAs and charter schools to provide salary supplements to teachers, instructional support and qualifying school administrators in their units. The requirements for the funds were updated in FY 2022-23 in Section 7A.9 of SL 2022-74 and rewritten in [SL2023-134 Section 7A.4](#).

General Requirements

How is the allotment calculated?

The allotment formula for the Supplemental Funds for Teacher Compensation (PRC 071) is outlined in the [Allotment Policy](#).

Will the amount be the same for each teacher every year?

No, while the funding for this allotment is recurring, the total appropriation may change and/or for any individual LEA (including both the overall allotment amount and per-teacher maximum supplement amount) **may vary from year to year** depending on the budgeted amount and any changes in a county's taxable real property value, effective tax rate, and median household income. LEAs should take the potential for year-to-year changes in the allotment amounts and per-teacher maximums into consideration when developing their policies for implementing the supplements. Communicating to the recipients that the amounts may change from year to year, will reduce any misunderstandings related to the expectation with future supplements.

When will the LEA know the amount of the funding?

The planning allotments will be posted by School Business Services on an annual basis, targeted before the end of February starting in fiscal year 2024-25.

Which LEAs are eligible for the funding?

The legislation determines the eligibility and currently all PSUs are eligible with the exception of the public school units located in Wake, Charlotte, Durham and Guilford counties.

Who is eligible to receive a supplement from the State PRC071 funds?

1. Teachers and instructional support personnel, defined as those who meet all of the following:
 - required to be paid from the legislative certified teacher salary
 - working and coded to the school level (including location code "000"), and
 - may be paid from State PRCs 001, 004, 006 and/or 007
 - NC Pre-K teachers are not permitted to be funded from these PRCs and are not permitted to be provided a supplement from the State PRC071.
2. Qualifying Assistant Principals, defined as Assistant principals paid pursuant to G.S. 115C-285(a)(8) (i.e., an assistant principal whose credentials result in a higher pay based on the teacher salary schedule than on

the administrators schedule. This may include assistant principals who are Nationally Board certified (NBPTS).

3. **Qualifying Principals, defined as**
Principals paid pursuant to G.S. 115C-285(a)(8) (i.e., a principals whose credentials result in a higher pay based on the teacher salary schedule than on the principal schedule.

The LEA is responsible to ensure that the recipients are eligible per the law.

Do individuals have to be paid from State funds to be eligible for a supplement from PRC071?

No, eligible individuals from all funding sources may be paid a supplement from PRC071, at the discretion of the local board.

How much may each individual receive?

The legislation places a maximum on an individual's supplement from PRC071. No individual salary supplement shall exceed the per-teacher funding amount awarded to the LEA. The maximum is different for each LEA and no maximum shall exceed \$5,000. DPI School Business Services will post these maximums on an annual basis, along with the planning allotment.

The local board may determine the amount of the supplement as long as it does not exceed the maximum.

Are the supplements subject to TSERS?

Yes, the funding provided pursuant to PRC 071 is for salary supplements; employee compensation provided from these funds is to be treated as salary and is not to be considered a bonus or stipend. These payments are subject to retirement and all applicable taxes.

Is the LEA required to provide all individuals a supplement from PRC071?

No, it is up to the local school board to determine which specific positions that are to be provided the salary supplements.

Are all individuals required to receive the same amount?

No, it is up to the local school board to determine the amount based on their criteria. An LEA is not required to provide the maximum per teacher supplement amount to any individual employee. LEAs have the flexibility to determine the amounts of supplements provided for any individual position in accordance with identified staffing needs.

Is the LEA required to provide the supplements on a monthly basis?

No, an local board is permitted to determine the intervals of payment for the salary supplement funds to any individual employee (annually, bi-annually, quarterly, etc.).

Is there a nonsupplant clause?

Yes, an LEA that receives PRC 071 funds shall use the funds to supplement and not supplant non-State funds provided for salary supplements for teachers and qualifying school administrators.

See separate section on supplanting.

Information for Charter Schools

- Charter schools are eligible for the funding, if they are located in a LEA that is eligible for the funding.
- Eligible charter schools will receive their portion of the supplemental funds for teacher compensation through PRC 036; these funds will be part of an eligible charter’s State base allocation.
- Charters are not required to utilize the funds for salary supplements for teachers and eligible school administrators. However, the legislation encourages charter schools receiving funding to provide salary supplements to teachers in the charter school.

Information for Renewal School System

The Renewal School System shall receive the funds, as calculated per legislation, in the block grant PRC037.

Supplanting

The LEAs must maintain the effort of non-state funds (federal and local) for local supplements in order to receive the PRC071 allocation the following fiscal year.

Note: Effective with the fiscal year 2024-25, the supplanting test will be included in the compliance supplement for the independent auditor to perform the test. The independent auditor has direct access to all the information necessary to perform the test efficiently. The independent auditor may reassess the supplant factor in order to perform the test.

Calculation of PRC071 Supplanting

Legislation

SECTION 7A.4.(f) Nonsupplant Requirement. – A local school administrative unit that receives funds under this section shall use those funds to supplement **non-State funds** provided for salary supplements for teachers and qualifying school administrators and shall not use any State funds, including funds received under this section or Section 7A.12 of S.L.2021-180, to supplant non-State funds provided for salary supplements for teachers and qualifying school administrators. For purposes of this section, a local school administrative unit has supplanted non-State funds if the State Board finds that **the amount of non-State funds expended by the unit for salary supplements was less than ninety-five percent (95%) of the maintenance of effort amount for the local school administrative unit.**

Legislated Definitions

Non-State funds. – Any funds held by a local school administrative unit, other than nonrecurring federal funds received as a result of legislation enacted by Congress in response to COVID-19, that are not State funds

Interpretation – all funds with the exception of State Fund 1, excluding Covid funds ie. Fund 2, 3 and 8, and excluding COVID funds eg. ESSER.

Maintenance of effort amount. – For each local school administrative unit in each fiscal year, the

supplant factor multiplied by the total State and non-State funds expended for salaries for teachers from the fiscal year for which the most recent salary data are available.

Supplant factor. – For each local school administrative unit in each fiscal year of the fiscal biennium, the total non-State funds expended for salary supplements for teachers in the 2020-2021 fiscal year divided by the total State and non-State funds expended for salaries for teachers in the 2020-2021 fiscal year.

Interpretation – The supplant factor is calculated on the base year 2020-2021.

The Supplant Factor is calculated as:

LEA Supplant Factor = $\frac{\text{Expenditures for Object 181 Fund 2, 3 \& 8 only}}{\text{Expenditures for certified salary for teachers \& IS in all funds}}$

See more details below for purpose – object codes included.

Calculation

Test to calculate the supplanting of non-State funds

Calculate the ratio of federal and local funds expended for supplements (object 181) over total certified salary from all funds for teachers and instructional support.

Non state funds = Federal (fund 3) excluding COVID + Local (Fund 2 + Fund 8)

Total Non-State funds used for supplement
Total teacher/IS Salary funded from all funds

For the above calculation the following purpose objects were used
Purpose 51XX to 53XX not 5360/5350. Plus 5810, 5830,
5840, 5860
Object 121,123,127,131,132,133,134,135,129,124

Any expenditures that are NOT for certified teachers & instructional support should be excluded from the calculation. Eg. supplements for classified employees.
Bonuses should be coded to object 180 or 183, and should not be included in the calculation.

Caution LEAs that pay a flat rate supplement

If your LEA pays a flat rate amount for the local supplement (as opposed to a percentage of the salary schedule, your LEA may over time be in a supplanting situation.
This may happen if the General Assembly increases teacher pay (the denominator) and the local supplements remain constant or do not get increased at the same rate (numerator). The ratio of the LEAs non state funded local supplements to the total certified salary will decrease, and may decrease below the base year of 2020-21 supplant factor.