



# North Carolina County Funding of Schools

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# N.C. EDUCATION FUNDING STRUCTURE COMPARED NATIONALLY





# How Does NC Compare Nationally?

How do we rank?

- NC state support of education = 58.2% of total; 8<sup>th</sup> nationally
  - National avg. = 44.1%
- Local support of education = 25.7% of total; 45<sup>th</sup> nationally
  - National avg. = 43.4%

Nat'l Center for  
Education Statistics





# What if General Assembly Shifts Education Funding to Nat'l Avg?

- State share drops \$2.4 billion; county share increases \$2.4 billion (100% increase in county current expense)
- 40% increase in property taxes
  - Avg rate of \$.86 cents/\$100
    - Robeson = \$1.90
    - Stokes = \$1.05
    - Lenoir = \$1.33

NCACC Budget & Tax Survey





# How Does NC Property Taxes Compare Regionally?

State	Median Real Estate Tax	Percent of Median Income
NC	\$1256	2.30%
VA	\$1860	2.47%
SC	\$736	1.38%
TN	\$972	1.87%
GA	\$1349	2.16%
FL	\$1791	3.38%
US	\$2043	3.13%
NJ	\$6828	7.82%

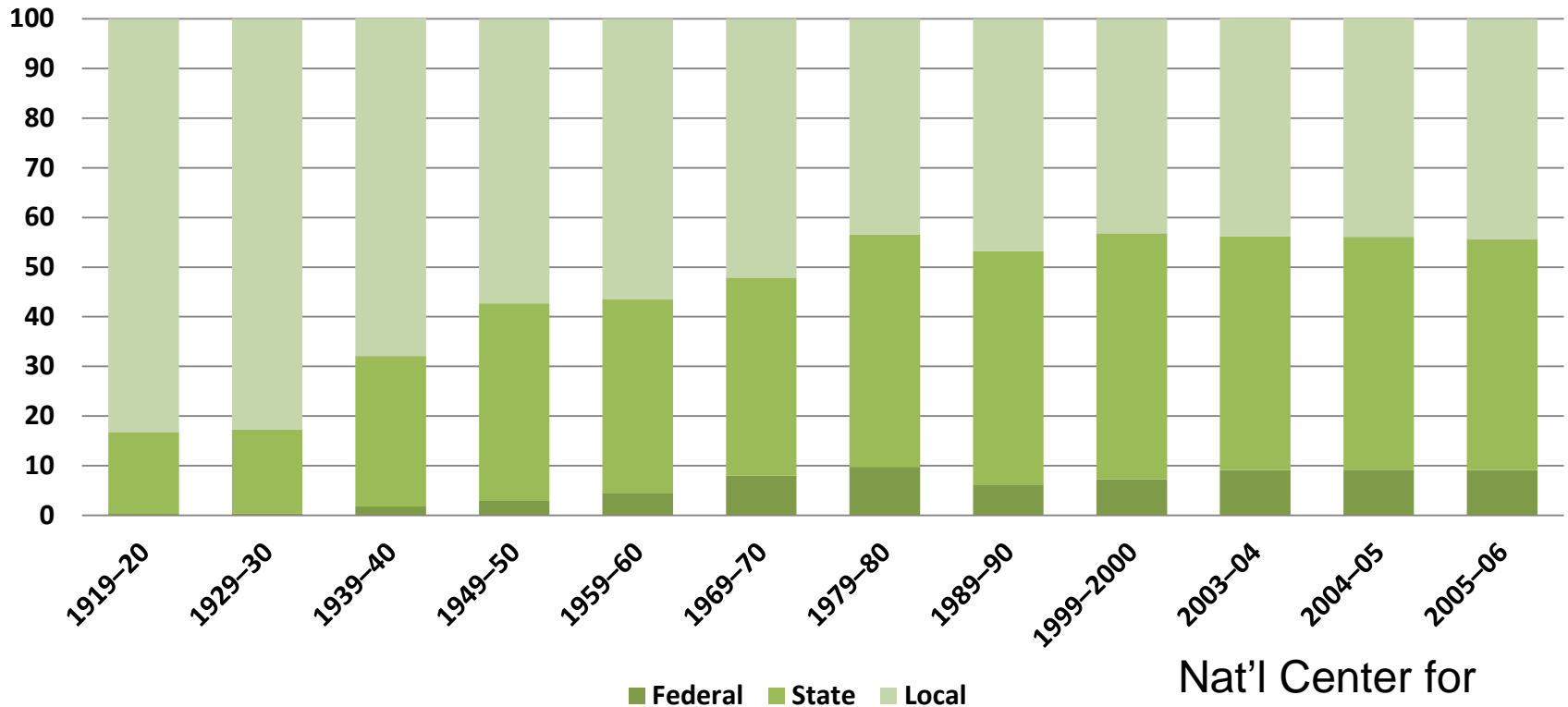
Tax Foundation based on census data





# What's the National Trend in State v. Local Funding?

## Public School Revenues Change in Funding Source



Nat'l Center for  
Education Statistics





# Why is NC Different?

How do we differ?

- NC assumed public education funding in 1930s to standardize educational opportunities
  - Counties assigned school facilities
- Local revenues nationally provided via school boards authorized to levy property taxes
  - NC county property tax 4<sup>th</sup> highest nationally





# N.C. EDUCATION FUNDING STRUCTURE – FOCUS ON COUNTIES







# State Constitutional Provisions

- The General Assembly shall provide by taxation and otherwise for a general and uniform system of free public schools, which shall be maintained at least nine months in every year, and wherein equal opportunities shall be provided for all students Art IX, § 2(1)
- The General Assembly may assign to units of local government such responsibility for the financial support of the free public schools as it may deem appropriate. The governing boards of units of local government with financial responsibility for public education may use local revenues to add to or supplement any public school or post-secondary program Art IX § 2(2)





# State Statutory Provisions

- 115C-408. (b) To insure a quality education for every child in North Carolina, and to assure that the necessary resources are provided, it is the policy of the State of North Carolina to provide from State revenue sources the instructional expenses for current operations of the public school system as defined in the standard course of study.
- It is the policy of the State of North Carolina that the facilities requirements for a public education system will be met by county governments.



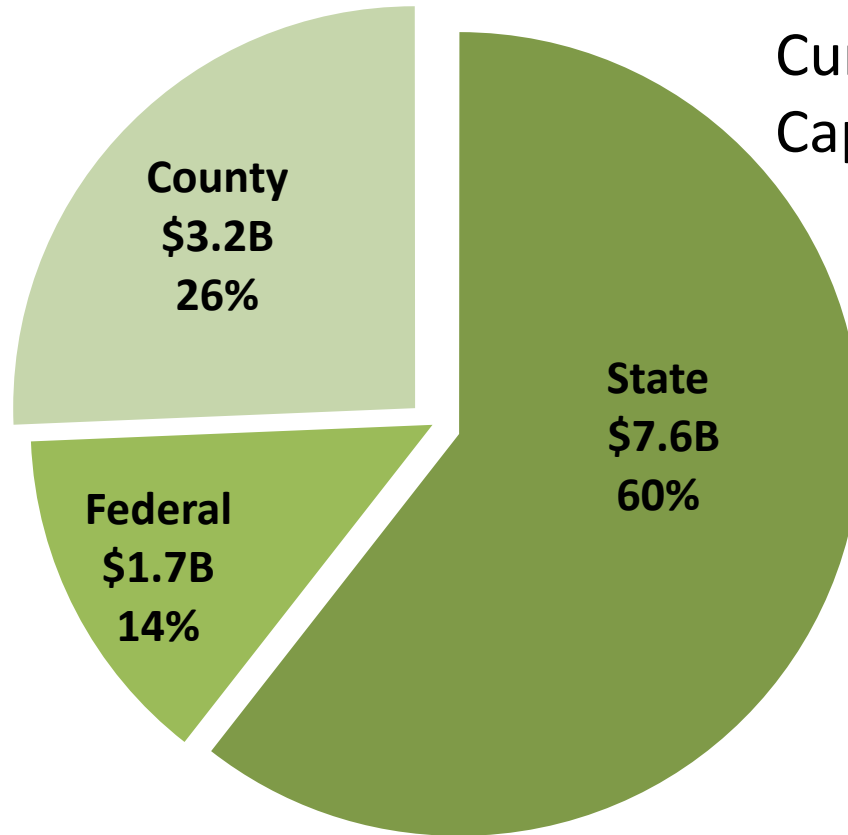


# State Funding thru Allotments

- Allotments sent directly to LEA (local education agency) & charter
    - LEA allocates amongst schools
    - LEA may transfer amongst most allotments
      - For 2014-15 biennium
      - No transfers to central office
      - Must abide any restrictions per fed law
      - No transfers from Excellent Public Schools
    - Largely 1/12<sup>th</sup> monthly payment
    - ***State funds revert at end of fiscal year***
- County  $\neq$   
County School



# Funding Sources for Public Schools, \$12.5 Billion 2011-12



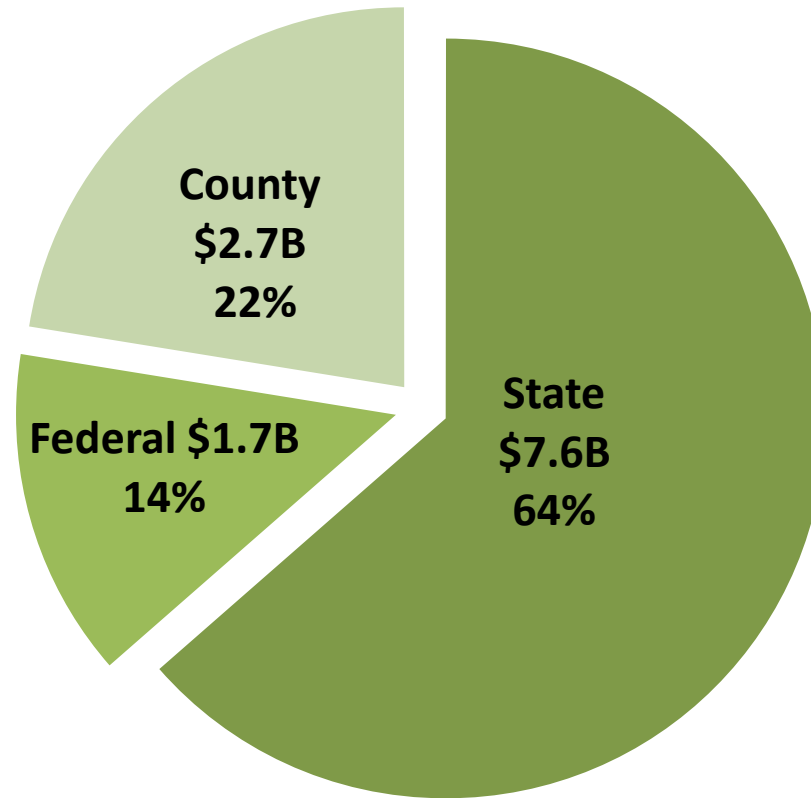
Current Expense &  
Capital

NC DPI Statistical  
Profile





# Funding Sources for Public Schools, \$12 Billion Current Expense

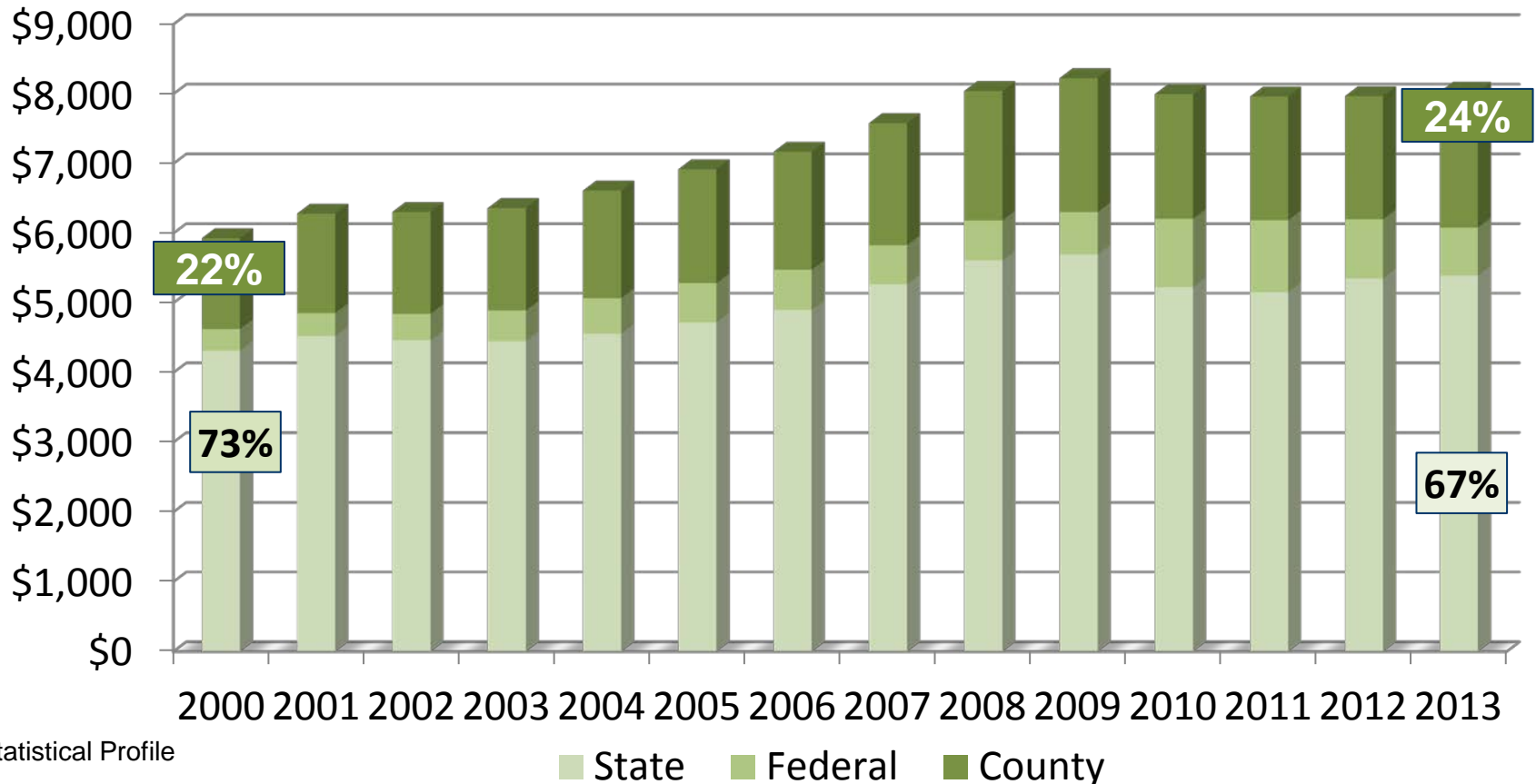


NC DPI Statistical Profile





# Sources of Current Expense Per Pupil Funding (Excludes Nutrition)

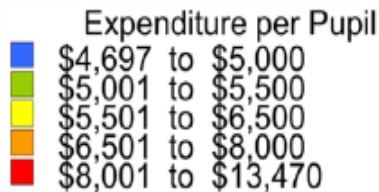
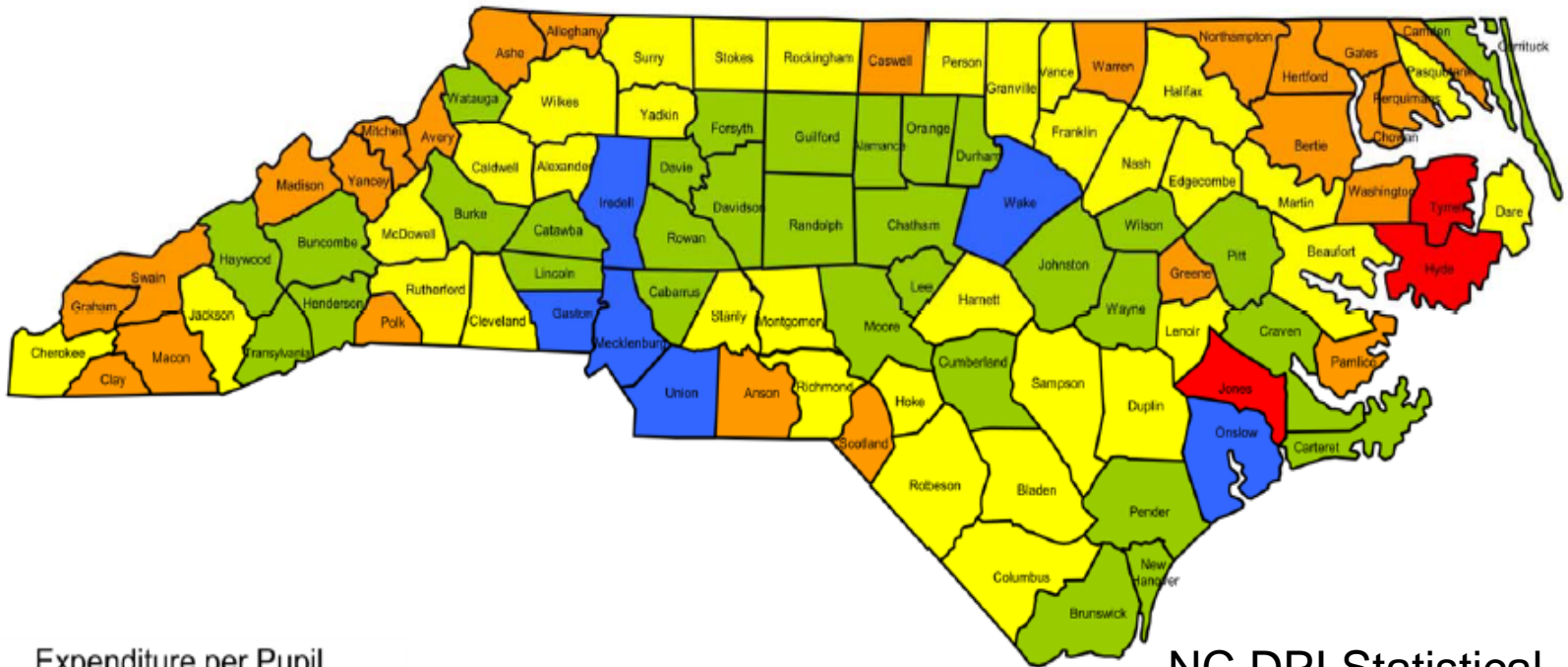


NC DPI Statistical Profile



# State per Pupil Expenditures (2012)

## Current Expense Only



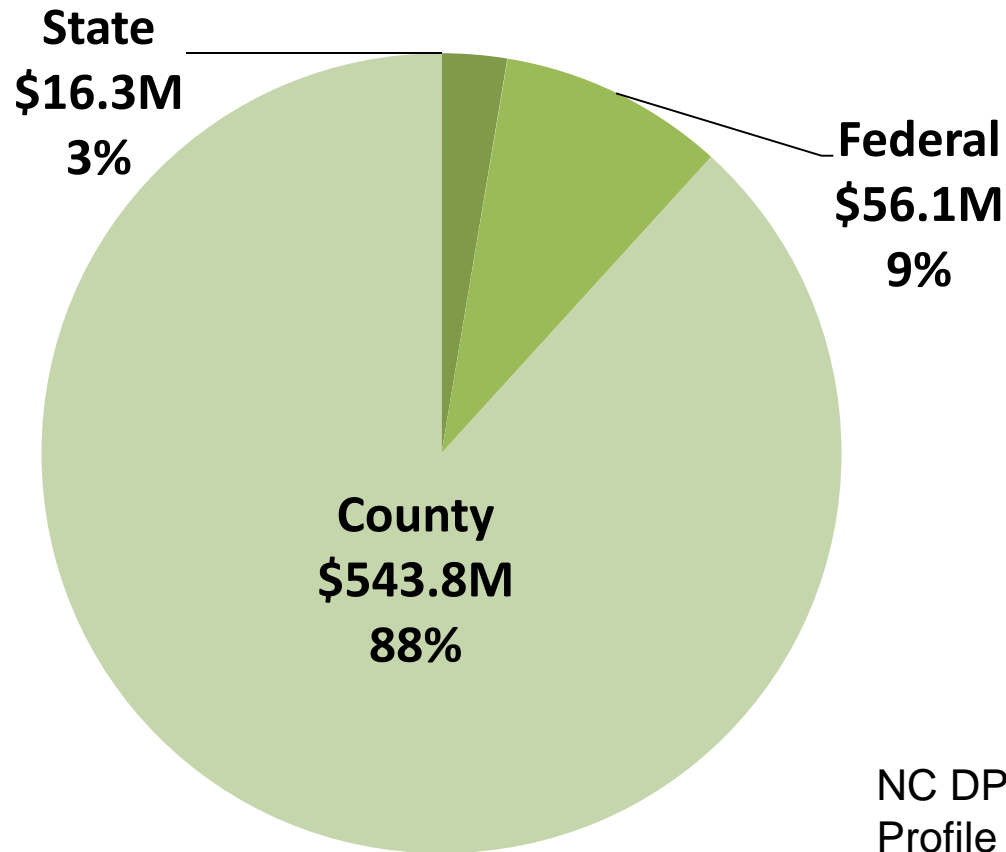
State Avg. = \$5361

NC DPI Statistical Profile





# Funding Sources for Public Schools, \$616 Million Capital



NC DPI Statistical Profile







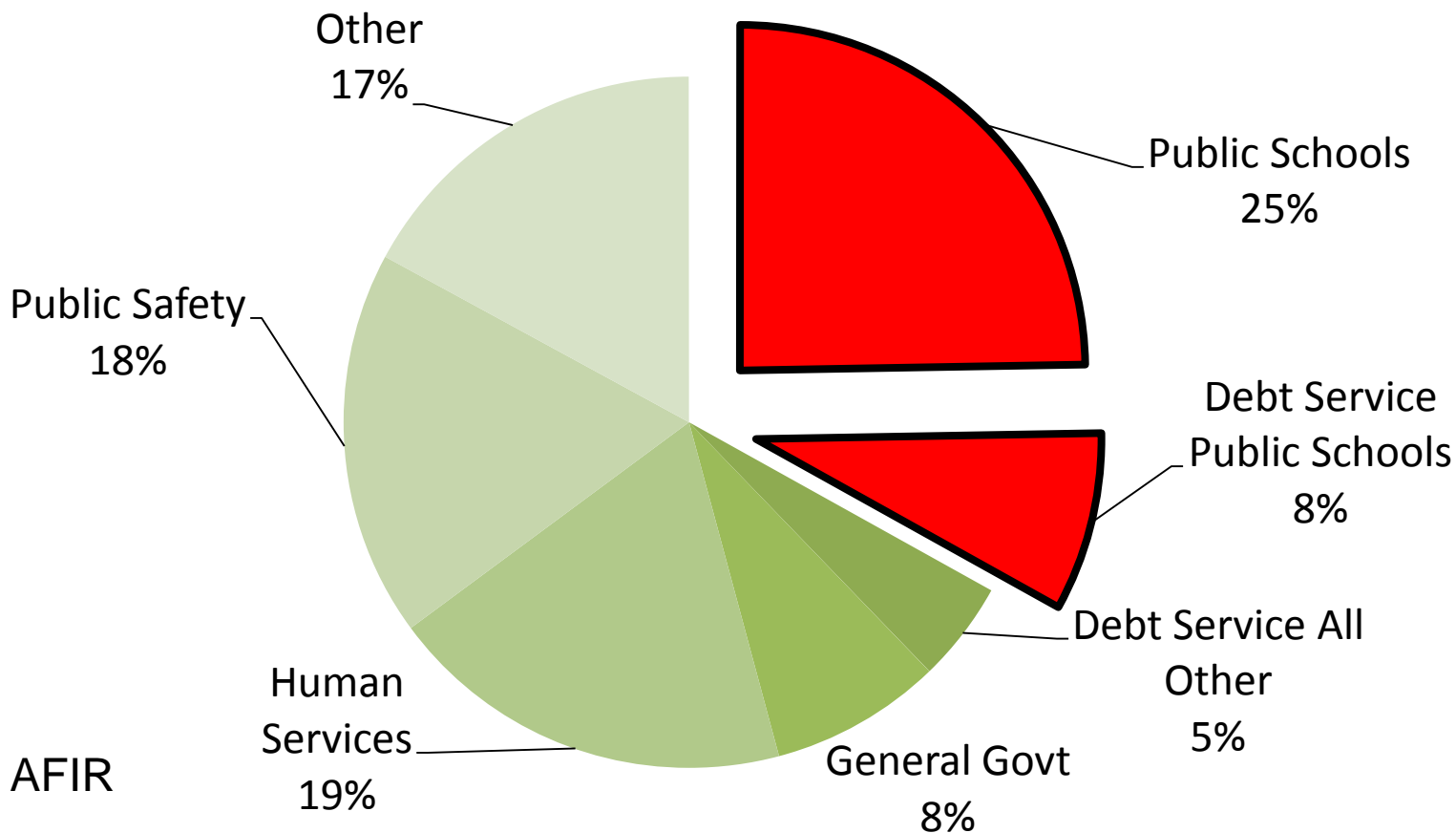
# N.C. COUNTY RESPONSIBILITIES FOR SCHOOL FUNDING





# Statewide County Expenditures, 2011-12

## \$13 Billion, **\$4.3 Billion Public Schools**



NC LGC, AFIR





# North Carolina Statutory Framework

- Boards of County Commissioners act as taxing authority for Local School Boards
- Local School Boards are fiscally dependent
- State largely responsible for operating expenses





# County Primary Responsibilities

## Boards of County Commissioners:

- Act as local taxing authority
- Review entire school budget
- Approve county appropriations for current expense and capital outlay
- Approve 5-Year School Facilities Needs Survey
- Approve purchase price of school building sites
- Issue bonds & arrange other financing for school capital outlay purposes
- Require merger of multiple units if desired





# LEA Primary Responsibilities

## School Boards (115 LEAs):

- Set policy, determine attendance areas
- Hire school personnel, including locally paid positions and superintendent to administer schools & guide operations
- Establish salary supplements (if any) for all employees
- Determine school facility needs
  - \$8.2 billion per school facility survey





# Time Frame for Public School Budgets

- February - State issues Planning Allotments
- **May 1 - Superintendent submits budget to school board**
- **May 15 - School Board sends budget to county manager**
- **June 1 - County manager submits county budget to commissioners (with recommendations for schools)**
- **June 30 - Commissioners approve county budget**
- **July 15 - School Board approves school budget**
- ? – General Assembly finalizes state budget

*Red indicates statutory deadlines*





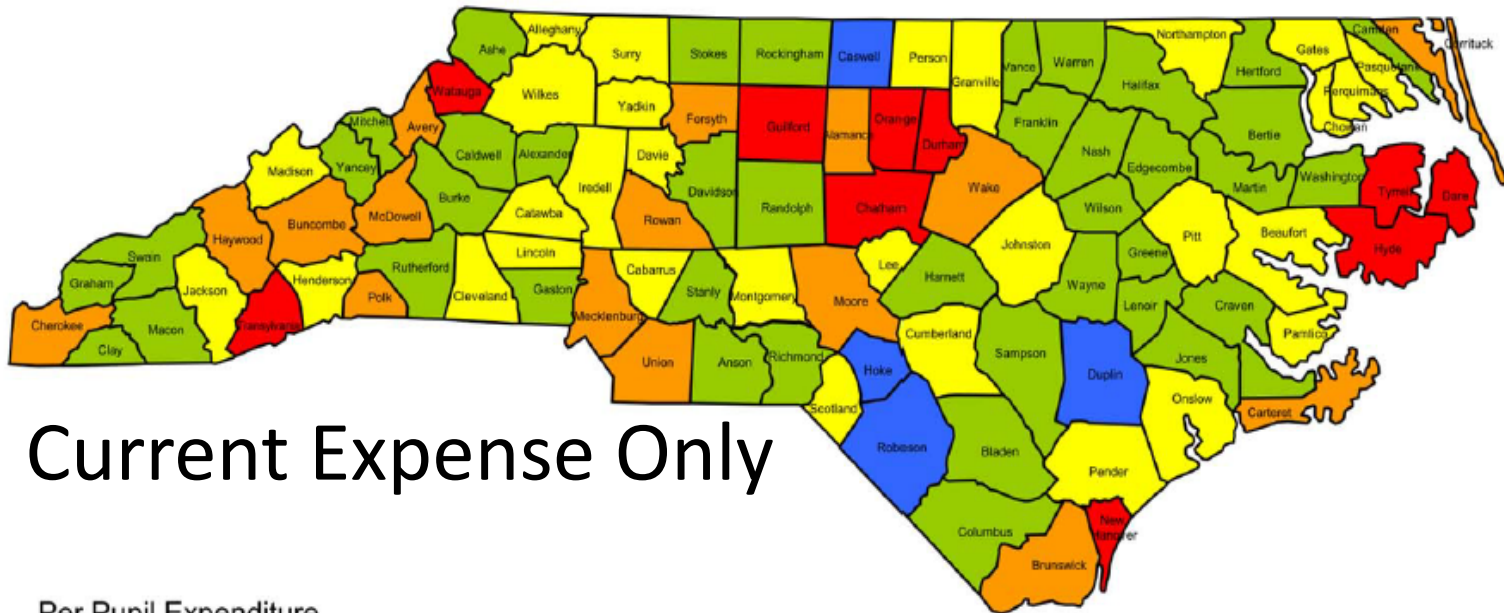
# County Statutory Provisions

- Local current expense fund approp. sufficient for current expense of public schools when added to state resources, “within financial resources and consistent with the fiscal policies of the board of county commissioners” (G.S. 115C-426 (e))
- Facilities requirements for public education system to be met by counties (G.S. 115C-408(b))
- School board may sue county over “sufficiency”

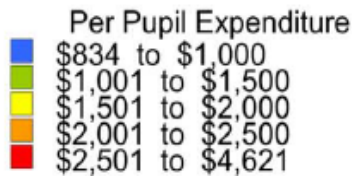




# County per Pupil Expenditures (2012)



Current Expense Only



State Avg. = \$1893

NC DPI Statistical Profile







# County Appropriation to Schools

## Local current expense fund

- Includes instruction, support, operating expenses
- Allocated usually as lump sum, 1/12 per month
- School boards can use for any allowable purpose
  - School board allocates to individual schools
- County excess funds do not revert; converts to school fund balance
  - \$352M 2006-07 increases to \$630M 2012-13
  - 79% increase during recession



# County Appropriation to Schools

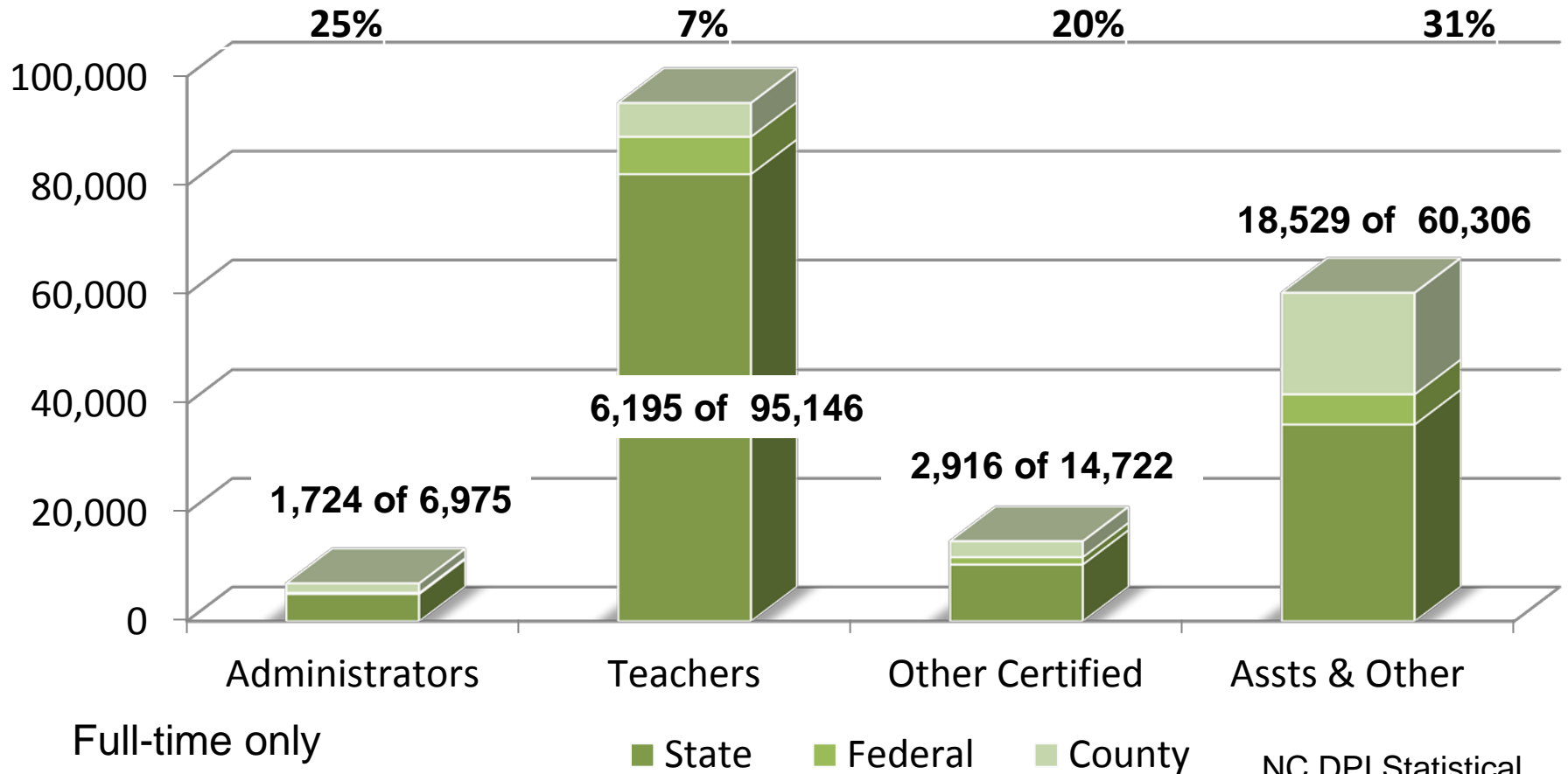
## Local current expense fund

- Can further allocate in broad categories of purpose and function (115C-429)
  - Purpose = instructional, supporting, community services, non-programmed charges
  - Function = 2 to 7 categories within purpose; e.g. regular, special, adult, co-curricular, remediation, voc. ed, student services, other instructional
- School boards limited to 25% amend, up or down or 10-25% set by commissioners (115C-433)
- 17 counties report allocating by purpose & function





# School Personnel by Funding Source, 2013



NC DPI Statistical Profile





# Local Salary Supplements

## 2013 Data:

- 106 LEAs have teacher supplements
  - Low of \$147 to high of \$6,031 annually
  - State wtd avg = \$3,478; county cost = \$348M
- 108 have principal supplements
  - Low of \$175 to high of \$28,673 annually
  - State wtd avg = \$11,338; county cost = \$27M

## 2011 Data:

- 85 have superintendent supplements
  - Low of \$175 to high of \$129,762
  - State avg = \$28,577; county cost = \$2.4 M
- Total county cost supplements = \$430M



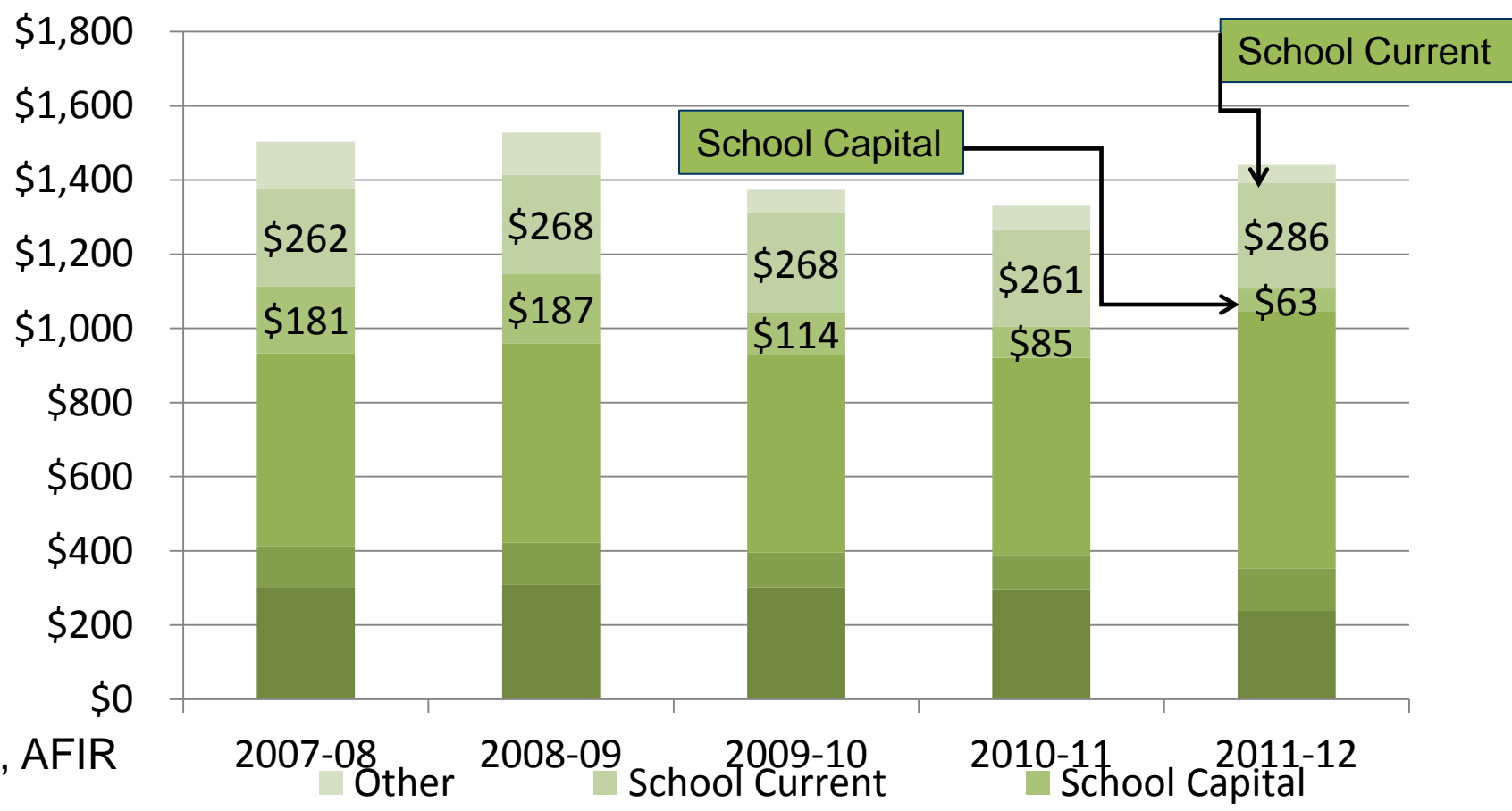
# County Appropriation to Schools

## Capital outlay fund

- Includes site acquisition, new & renovated building, equipment & furnishings, new school buses
- Can further allocate to specific category
  - Category I = property, building construction & renovation
    - Can further allocate to specific project
    - School board needs county board approval to amend
  - Category II = furnishings & equipment
  - Category III = buses & vehicles
- School boards can not move between current & capital unless emergency & county board approval



# County School Capital Funding Drops in Recession



NC LGC, AFIR





# Financing School Capital Needs

- Debt Financing
  - General obligation bonds
    - Pledge full faith and credit; requires voter approval
  - Certificates of participation
  - County debt = \$13.3 billion in outstanding principal; 64% for public school construction
- County Revenues
  - Required set aside of Art. 40 & 42 sales taxes; 45 cents = \$350 million annually
- State-Shared Revenues
  - Corporate income tax set aside (ADM Fund)
  - Lottery





# State School Capital Funds Wane

- 40% of net lottery proceeds
  - \$192 m v. \$100 m appropriated
  - Statutory language repealed in 2014 budget
- Portion of corporate tax set aside
  - Redirected to school operations
  - County loss = \$75 m/year
  - Statutory set aside repealed in 2014 tax simplification





# County Funding of “City” Schools

- No role of cities in school funding
  - Always an exception: Thomasville approves supplemental tax & Rocky Mount provides \$
- County appropriation to current expense apportioned to multiple LEAs based on ADM (G.S. 115C-430)
- County appropriation to capital based on LEA need





# County Funding of Charter Schools

- County current expense appropriation shared with charter school indirectly
  - LEA must transfer to charter per pupil current expense appropriation for students residing within jurisdiction (includes other local funds too)
- County appropriation to capital not shared with charter
  - Apportioned? Need? Funding outside County?



# Other Local Sources of School Revenue

- Voted supplemental taxes (11 counties, in “city” districts)
  - School board may call for election on matter
  - County generally levies tax if approved
- Fines & Forfeitures
  - State constitution requires all fines & forfeitures to be used for schools
  - Counties act as school board agent, receives from clerk of court & transmits monthly to LEA
- Neither source subject to county appropriation or county use stipulation
  - Counties may consider amounts when setting county appropriation





# Resolving School Funding Disputes

- Local school boards may seek third party mediation "if the board of education determines that the amounts appropriated by the county commissioners are not sufficient to support a system of free public schools" (GS 115C-431)
- Decision of mediator may be appealed to Superior Court (option of jury trial)
- Ultimately, to Supreme Court
- Recent Union County ruling provided 10x capital \$ above request





# Questions, Comments

