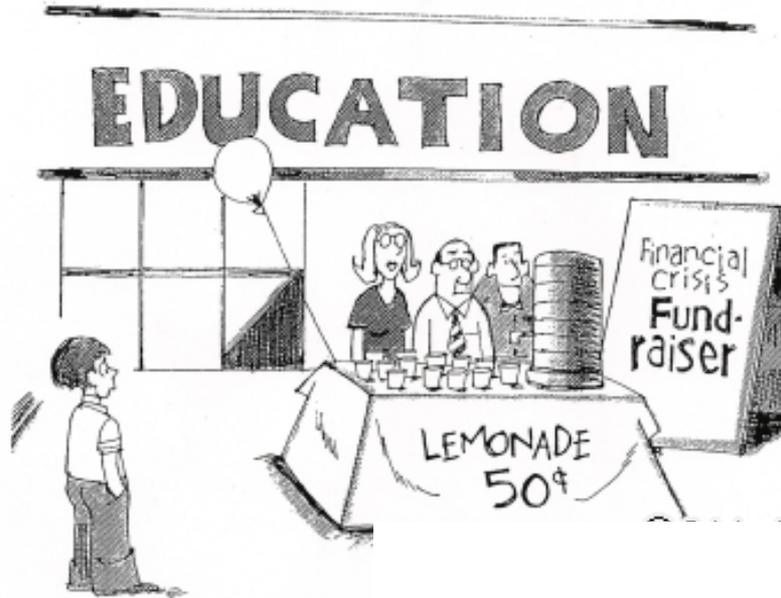


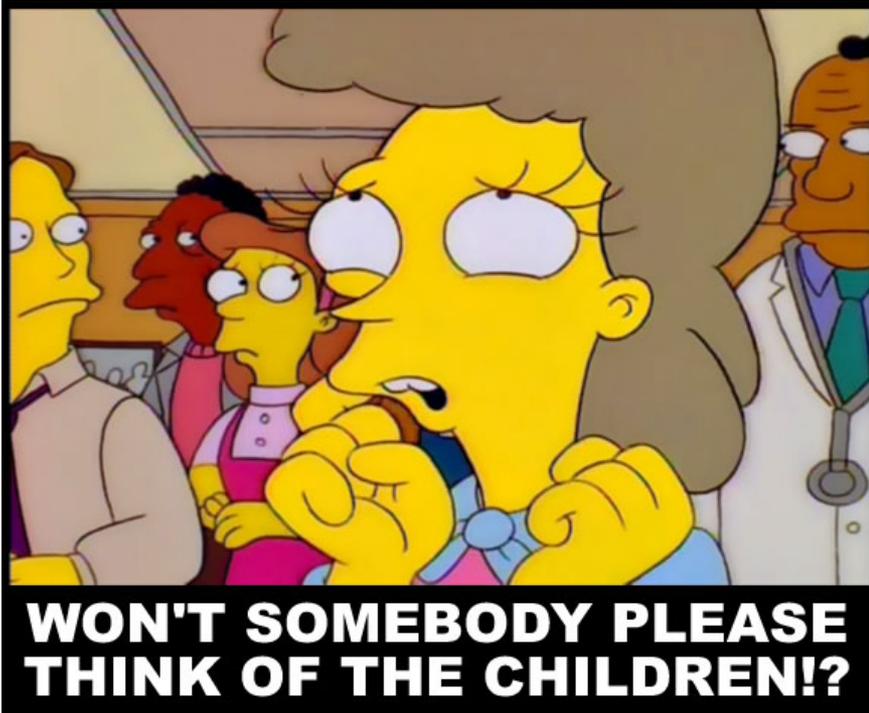
Local Funding of Public Schools in North Carolina



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2013



- One-page summary budget
- \$26 million for capital
- \$12.4 million for operating
- 12% increase from current year's appropriations
- No other communication with superintendent or local school board

- Is your board required to appropriate funds to the school board for both capital and operational expenses?
- Is your board required to appropriate the amount(s) requested by the school board?
- Can your board request more information from the school board or superintendent?
- Can your board direct how county funds are spent?
- Can your board make changes to its appropriation during the fiscal year?

Which statement best describes a county's funding responsibility for its public schools?

1. A county must provide funding for capital outlay expenditures only
2. A county must provide funding for operational expenses only
3. A county must provide funding for both capital outlay and operational expenses
4. All county funding for the public school system is optional

G.S. 115C-408

[I]t 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**.

G.S. 115C-426

The **local current expense fund** shall include **appropriations** sufficient, **when added to appropriations from [the State]**, for **current operating expense of the public school system** in conformity with the educational goals and policies of the State and the local board of education, **within the financial resources and consistent with the fiscal policies of the board of county commissioners.**

G.S. 115C-431

If the **board of education** determines that the amount of money **appropriated to the local current expense fund . . . is not sufficient** to support a system of free public schools, [the board of education may initiate the statutory dispute resolution process.]

If no agreement is reached, the issue submitted to the jury is “**what amount of money is needed from sources under the control of the board of county commissioners to maintain a system of free public schools.**”

Lts'e eb ecalr.

A county board of commissioners has full discretion to determine the annual amount of funding to appropriate to its public school(s).

1. True
2. False



Public School Funding: Budgeting Process

Step 1

- Ongoing Discussions Between Boards (Strongly Encouraged!)

Step 2

- Public School Superintendent Presents Superintendent's Budget to Local School Board (by May 1)

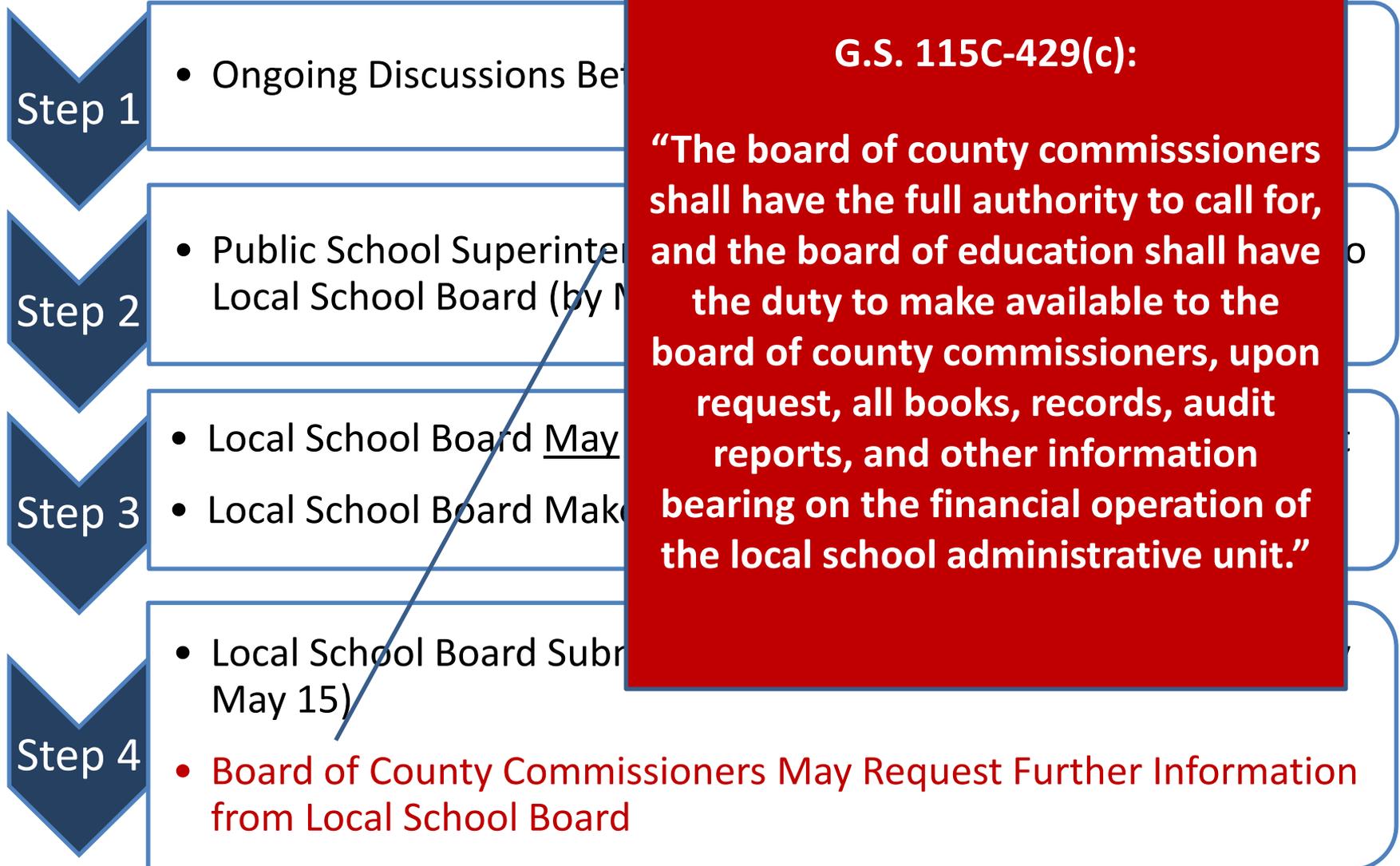
Step 3

- Local School Board May Hold Hearing on Superintendent's Budget
- Local School Board Makes Changes and Adopts Proposed Budget

Step 4

- Local School Board Submits Entire Proposed Budget to County (by May 15)
- Board of County Commissioners May Request Further Information from Local School Board

Public School Funding: Budgeting Process



Public School Funding: Budgeting Process

Step 5

- County Board of Commissioners Makes Appropriations to Local School Administrative Unit

Step 6

- *OPTIONAL: Dispute Resolution Process*

Step 7

- The local board of education adopts a budget resolution

Public School Funding: Dispute Resolution Process

A school board may challenge a county's appropriation of capital outlay funds or operational funds, or both, if it feels the amount appropriated is "not sufficient to support a system of free public schools."

(G.S. 115C-431)

Public School Funding: Dispute Resolution Process

Step 1

- Two boards meet to attempt to resolve differences

Step 2

- Mediation (must end no later than August 1, unless both boards agree to extend)

Step 3

- Within 5 days of failed mediation the board of education may file an action in superior court

Step 4

- Court (either Judge or Jury) finds facts as to amount of money necessary to maintain a system of free public schools, and the amount of money needed from the county to make up this total. **Judge or jury must consider: educational goals and policies of the State and the local board of education, the budgetary request of the local board of education, the financial resources of the county and the local board of education, and the fiscal policies of the board of county commissioners and the local board of education.**

Public School Funding: Dispute Resolution Process

Step 5

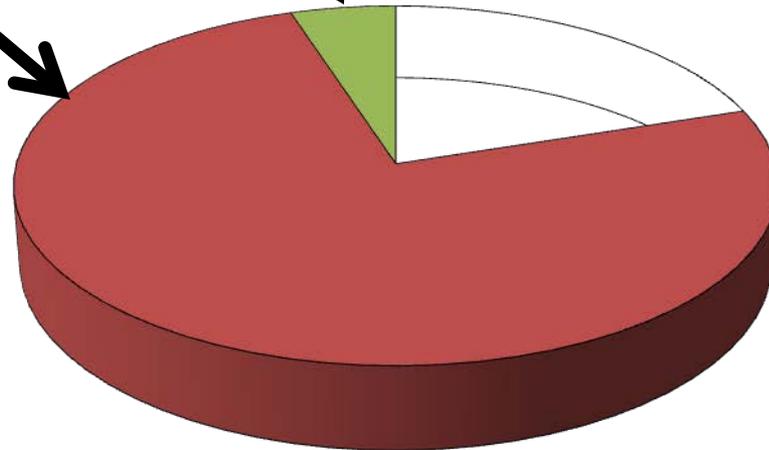
- Court orders the board of county commissioners to appropriate a specific sum to the school board and to levy additional taxes if necessary

Step 6

- Either the county or school district may appeal



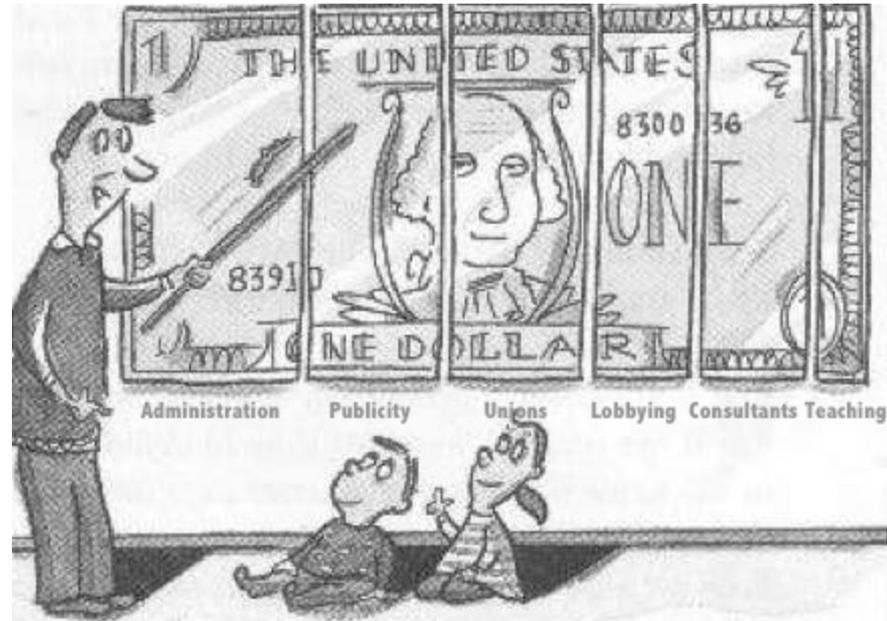
Public School Funding



- County Government
- State Government
- Federal Government

A county board of commissioners may direct how local funds are spent by the public school(s).

1. True
2. False
3. Sometimes

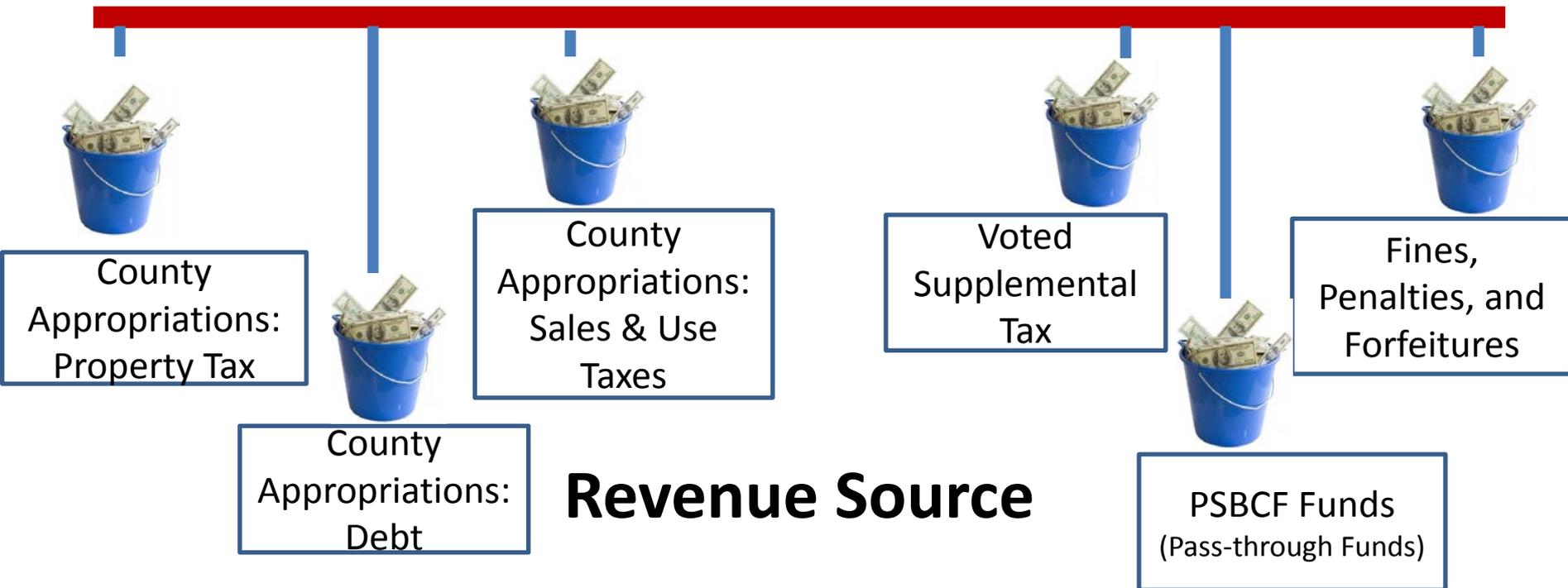


Where does the local money come from?

Degree of County Control

Most
Control

Least
Control



County Appropriations: Property Tax



"First the assets...The taxes are low."

- County board may appropriate funds for operating or capital
- County board may appropriate operating funds by purpose or function
 - school board may change allocations by up to 25% (but county may restrict down to 10%)
- County board may appropriate capital funds by project or project category
- Generally school board may not redirect capital appropriations to operating expenses or vice versa

County Appropriations: Debt

- County board may issue debt to fund public school capital projects
- If county board receives proper request from school board, county board must call a voter referendum on the question of issuing general obligation debt for one or more public school capital projects
 - If approved by the voters, county board always retains right to decide whether or not to issue debt

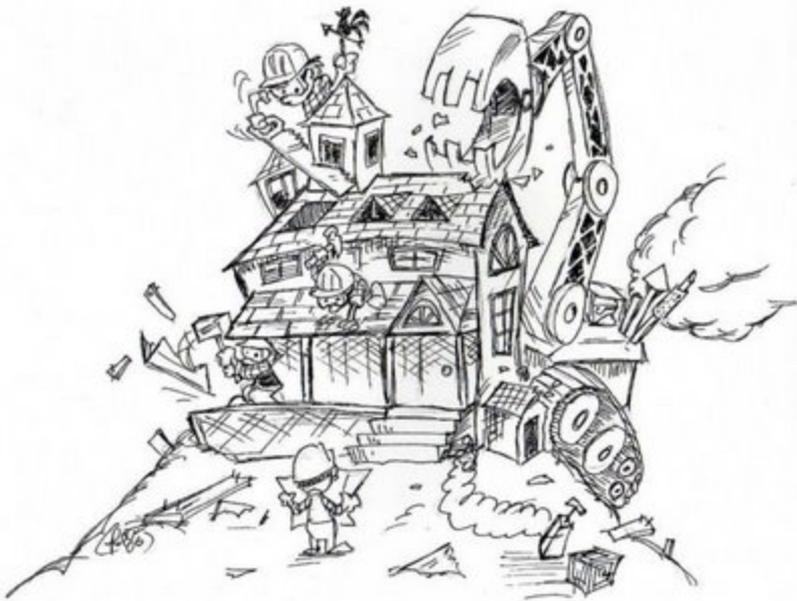


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•PLETCH•

"YOU WANT A LOAN, YOU SAY? HA, HA, THAT'S A GOOD ONE!... WHERE IN THE WORLD DID YOU HEAR THAT BANKS MADE LOANS?!"

County Appropriations: Sales and Use Taxes



- A portion of the county's sales and use taxes legally are earmarked to be used for public school capital outlay projects (or to repay related debt)
- County board may appropriate monies for specific capital projects or for capital project categories
- County board not required to appropriate all earmarked monies each fiscal year
 - May accumulate funds over time for larger capital projects
- County board may seek permission from Local Government Commission (LGC) to use funds for operating expenses

Voted Supplemental Tax

(add'l property tax, dedicated to public schools)



- School board may petition county board to hold referendum on levying an additional property tax, the revenue from which is dedicated to public schools
- If voters approve special tax, local school board may recommend additional tax rate each year (up to maximum rate approved by voters)
- County board decides each year whether or not to levy the special tax and at what rate (up to maximum rate requested by school board)
- County board has no control over expenditure of special tax proceeds by school board (but referendum may specify use of funds)
- County board may consider amount of special tax proceeds it making its other appropriations to school board

Public School Building Capital Fund (PSBCF)



search ID: mbcn937

The problem with Scratch N Sniff lottery tickets

- A portion of the state's lottery proceeds are allocated to each county within the PSBCF based on average daily membership (ADM)
- Monies in the Fund used to pay for public school construction projects and to retire indebtedness incurred for school construction projects
- County board and school board must jointly apply to NC DPI on a project-by-project basis to access the monies in the Fund
- PSBCF also may contain some residual corporate income tax distributions

Fines, Penalties, & Forfeitures



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- Under Article IX, Section 7, of the N.C. Constitution, “the clear proceeds of all penalties and forfeitures and of all fines collected in the several counties for any breach of the penal laws of the state, shall belong to and remain in the several counties, and shall be faithfully appropriated and used exclusively for maintaining free public schools.”
- County board has no control over expenditure of special tax proceeds by school board
- County board may consider amount of special tax proceeds it making its other appropriations to school board

A county may reduce its appropriation to its local school administrative unit during the fiscal year.

1. True
2. False
3. Maybe



Reduction in Appropriations

- A county is prohibited from reducing school appropriations once the budget ordinance is adopted UNLESS:
 1. The school board adopts a resolution consenting to the reduction; *or*
 2. Economic conditions require a general reduction in county spending (and the county must hold a public hearing)

Discussion Question



What was most surprising to you about this year's budget process for your public school(s)?