



NCACC Webinar Series: Public School Funding

Developed by Kara A. Millonzi

Robert W. Bradshaw Distinguished Professor of Public Law & Government
UNC Chapel Hill School of Government



PUBLIC SCHOOL FUNDING

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2025

OPERATIONAL FUNDING



State Funding



POSITION ALLOTMENTS

State appropriates money to LEAs for X positions (teachers and school administrators) based on target class sized ratios. Funds positions based on state salary schedule, without being restricted to specific amount for each.



DOLLAR ALLOTMENTS

State appropriates money to LEAs based on \$X amount per ADM for textbooks / instructional materials, supplies, teacher assistants, and central admin staff.



CATEGORICAL ALLOTMENTS

State appropriates money to certain LEAs based on targeted needs (e.g., low wealth counties, exceptional children, limited English proficiency, at risk, etc.)

Each year in the state budget, the legislature sets funding amounts, adopts the salary schedule for teachers and administrators, and dictates the degree of flexibility that LEAs have to move state funding between and among different expenditures.



POSITION ALLOTMENTS



DOLLAR ALLOTMENTS

Administration		
Category	Basis of Allotment (Funding Factors are rounded.)	
Central Office Administration (PRC 002)	Increase by LEA from 22-23 Initial Allotments is 4%	
Instructional Personnel and Support Services		
Category	Basis of Allotment (Funding Factors are rounded.)	Allotted Salary
Classroom Teachers (PRC 001)	The average teacher salary increase is 4% for FY23-24	LEA Average
<i>Grades Kindergarten</i>	1 per 18 in ADM.	
<i>Grade 1</i>	1 per 16 in ADM.	
<i>Grades 2 - 3</i>	1 per 17 in ADM.	
<i>Grades 4 - 6</i>	1 per 24 in ADM.	
<i>Grades 7 - 8</i>	1 per 23 in ADM.	
<i>Grade 9</i>	1 per 26.5 in ADM.	
<i>Grades 10 - 12</i>	1 per 29 in ADM.	
<i>Math/Science/Computer Teachers</i>	1 per county or based on sub agreements.	
Program Enhancement (PRC 004)	1 per 1:191 in K-5 ADM. Includes world language, music, arts and P.E.	LEA Average
Teacher Assistants (PRC 027)	The number of classes is determined by a ratio of 1:21. K - 2 TAs per every 3 classes; Grades 1-2 - 1 TA for every 2 classes; and Grade 3 - 1 TA for every 3 classes. Allotted salary is calculated per budget funding factor.	\$44,680.56
School Health Personnel (PRC 006)	1 position per LEA; additional positions per 419.69 in ADM rounded to the nearest half position. Positions include School Psych, Social workers, counselors and nurses. Change effective in 2024.	Statewide Average
Instructional Support (PRC 007)	1 per 415.12 in ADM. Includes other instructional support positions.	Statewide Average
School Building Administration (PRC005)	Schools opening prior to 7/1/2011 are eligible for 1 per school with at least 100 ADM or at least 7 state paid teachers or instructional support personnel. Schools opening after 7/1/2011 are eligible for 1 per school with at least 100 ADM only.	LEA Average
Principals		
Assistant Principals	1 month per 98.53 in ADM (rounded to nearest whole month)	LEA Average
Career Technical Ed. - MOE (PRC 013) (LIMITED FLEXIBILITY- Salary Increase)	Base of 50 Months of Employment per LEA with remainder distributed based on ADM in grades 8-12.	LEA Average
Classroom Materials/Instructional (PRC 061) Supplies/Equipment	\$38.07 per ADM plus \$2.69 per ADM in grades 8 and 9 for PSAT Testing (FY24 includes \$10m non recurring Indian Gaming)	
Textbooks (PRC 131)	\$31.12 per ADM in grades K-12.	

State Flow of Funds



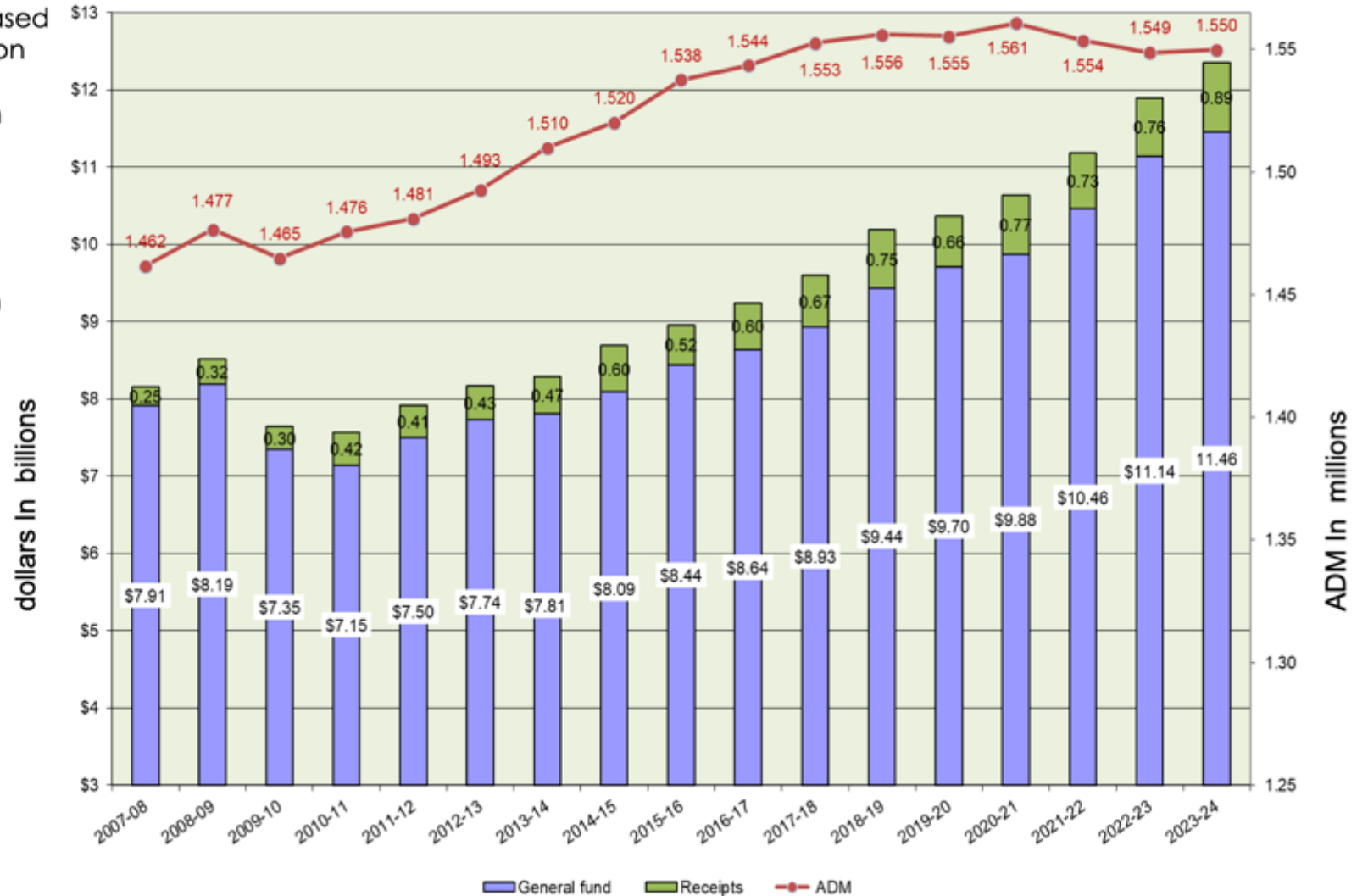
- Budget appropriations based on actual ADM (average daily membership) from prior year; but adjustments are made for actual ADM after first two months of school year (within available funding)
- Funds allocated monthly
- No leftover state funding at end of fiscal year
- State budget typically limits flexibility for schools to move money among different categories
- Firm cap on EC (exceptional student) funding per student, (2024-25 maximum of 13% of school system students)

In the past few years, school funding has comprised about 40% of state general fund appropriations

Total State Public School Appropriations (in Billions) and Allotted ADM (in Millions)

Funding increased from \$7.65 billion in 2009-10 to \$12.35 billion in 2023-24.

The number of students has increased by approx. 85,000 (5.8%)



County & Other Local Funding



County Property Taxes

This is the primary revenue source for county school funding.

Property tax revenue may be used to make appropriations for operating and capital expenditures to schools or to make certain direct expenditures for schools or to pay debt service payments on school capital.



Fines, Penalties, Forfeitures

The clear proceeds of all local civil penalties for violations of local ordinances that can be criminally enforced and of any statutory penalties that are punitive in nature must be distributed to the schools.



Voted Supplemental School Tax

A school board may petition for a county referendum on a dedicated property tax rate for operating and/or capital expenditures.

If approved, school board requests rate each year and county board may approve up to maximum rate requested by school board.



Municipal Funding

A municipality may fund any operating and some capital costs of school located within municipal boundaries and may fund the per pupil proportional share for schools located outside municipal boundaries but attended by municipal residents.

Voted Supplemental School Tax

Creates a special property taxing district that encompasses the entire school district

1

- School board petitions county board for referendum on voted supplemental school tax
- Petition includes maximum rate up to statutory maximum of \$.50/\$100 valuation (or \$.60/\$100 valuation)
- Petition specifies whether proceeds will be used for general capital and/or operating expenses

2

- County board must hold referendum

3

- If referendum successful, each budget year school board may request supplemental property tax levy in any amount up to maximum rate approved by voters

4

- Each budget year, county commissioners decide whether to levy the supplemental property tax and set rate up to maximum requested by school board

5

- Supplemental school tax proceeds legally earmarked for school capital and/or operating expenses, as specified in voter referendum

Municipal Funding (Optional)

A municipality may “supplement funding for elementary and secondary public education that benefits the residents” of the municipality.

May support traditional public schools, charter schools, laboratory schools, and regional schools.

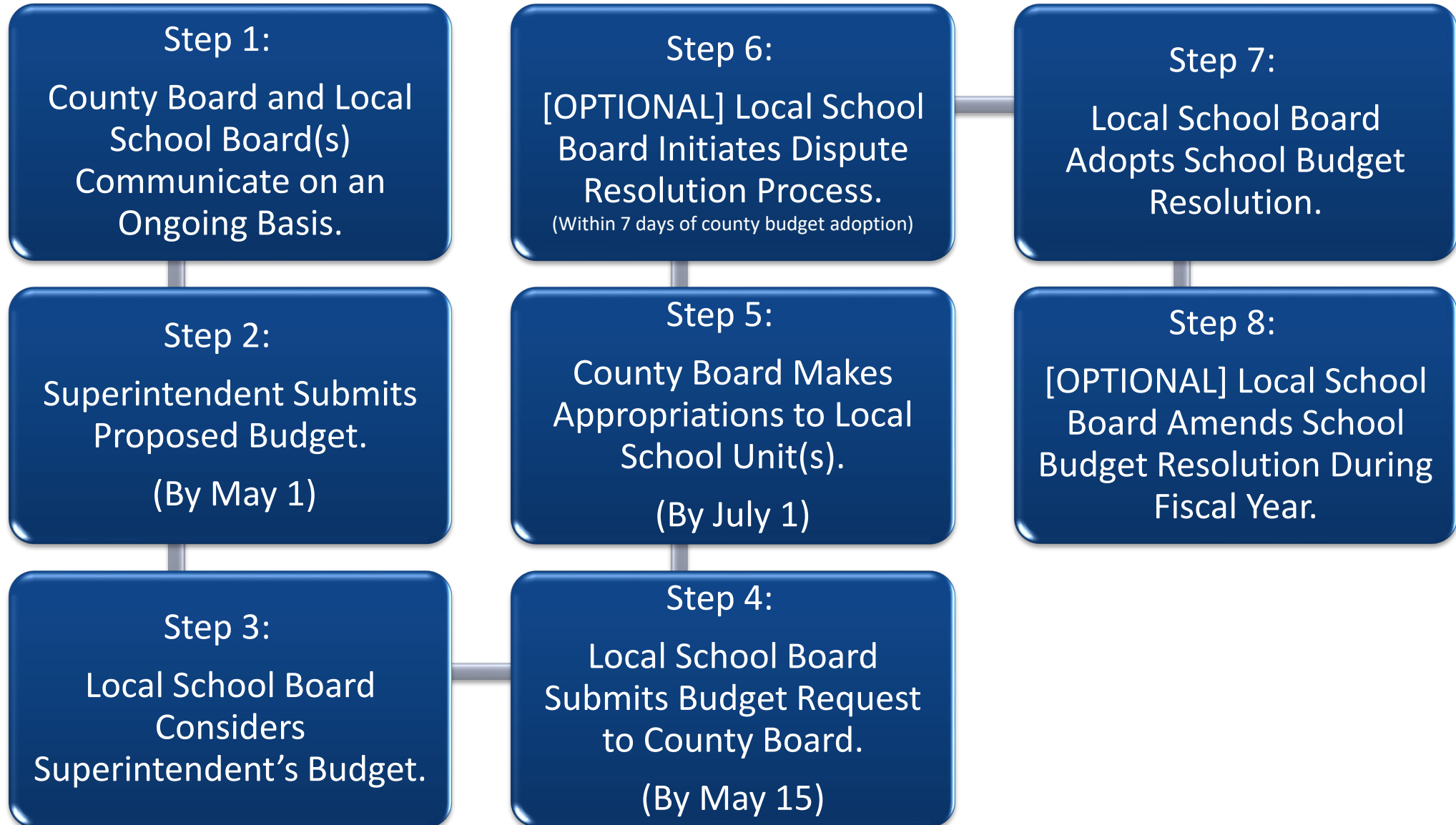
For schools **inside municipal limits**, a municipality may provide funding for

- Capital or current operating expenses
- Other specific uses directed by the city
- Operational and financing leases for real property and mobile classrooms to be used as school facilities
- Payments on loans made to public schools for facilities, equipment, or operations

Funding **MAY NOT** be used to obtain any other interest in real property or mobile classroom unit.

For schools **outside municipal limits**, a municipality may provide funding on a per pupil basis for students attending that school who are residents of the city for current operating expenses or other specific uses directed by the city.

County / School Funding Process



“At the time of submission of the [proposed] budget, the board of education shall also submit to the board of county commissioners in writing the academic performance of the schools in the local school administrative unit, including the school performance grades of each school, any schools identified as low-performing or continually low-performing, and efforts by the local board of education to improve those identified schools' performance. The local board of education shall present the academic performance information at a public meeting upon the request of the board of commissioners.

....

The board of county commissioners shall have full authority to call for, and the board of education shall have the duty to make available to the board of county commissioners, upon request, all books, records, audit reports, and other information bearing on the financial operation of the local school administrative unit.” NCGS 115C-429

True or False

A county board of commissioners may legally direct that funding go to support teacher assistants and teacher salary supplements.



School Budget Funds

Fund 2: Local Current Expense Fund*

(Mainly County Funded)

- County appropriations
- Fines, penalties, forfeiture distributions
- Supplement school taxes
- Other monies accruing to the school unit for operating expenses

**Funds shared on per pupil basis with charter schools*

Fund 4: Capital Outlay Fund

(Mainly County Funded)

- County appropriations (including earmarked sales taxes and lottery monies)
- Supplemental school taxes
- Proceeds of sales of capital assets
- Donations/grants restricted to capital

Fund 8

(Limited County Funding)

- Restricted gifts and grants
- Reimbursements
- Tuition
- Sales tax distributions
- Sales tax refunds
- Funds for pre-kindergarten programs
- Federal appropriations directly to school unit
- Trust funds

Local Current Expense Fund: Purpose/Function

Instructional Services

- Regular Instructional Services
- Special Population Services
- Alternative Programs and Services
- School Leadership Services
- Co-curricular Services
- School-Based Support Services

Supporting Services Programs

- Support and Development Services
- Special Populations Support and Development Services
- Alternative Programs and Services Support and Development
- Technology Support Services
- Operational Support Services
- Financial and Human Resources Services
- Accountability Services
- System-Wide Pupil Support Services
- Policy, Leadership, and Public Relations Services

Ancillary Services

- Community Services
- Nutrition Services
- Adult Services

Non-programmed Charges

- Payments to Other Government Units
- Unbudgeted Funds
- Debt Services
- Interfund Transfers
- Contingency
- Educational Foundations
- Scholarships



This is the level of
specificity that
county
commissioners can
direct county
appropriations

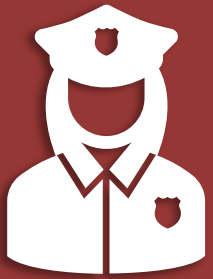


Exceptions



SCHOOL BOARD MEMBERS' COMPENSATION

County commissioners may set school board members' compensation and expense allowances. School board members' compensation frozen at 1975 amounts unless changed by county commissioners. G.S. 115C-38.



SCHOOL RESOURCE OFFICERS

By contract between the school board and sheriff, with approval of county commissioners, sheriff can provide and county can fund SRO officers directly

Authority to Make Changes During Fiscal Year

County Commissioners

Local School Board

MAY make new appropriations for operating or capital expenses during fiscal year.

MAY amend budget resolution during fiscal year, consistent with state law and county budget allocations.

MAY NOT reduce appropriations to school board for operating or capital expenses once county budget ordinance is adopted UNLESS school board consents OR a general reduction in county expenditures is required because of prevailing economic conditions.

MAY NOT move money to or from the capital outlay fund to or from any other fund unless it is an emergency unforeseen and unforeseeable at budget time and unless the board of county commissioners approves.

MUST abide by County allocations to capital categories or to purpose function codes, except the law allows the school board to modify between 10% and 25% of local current expense allocations, depending on limitation set by county commissioners.

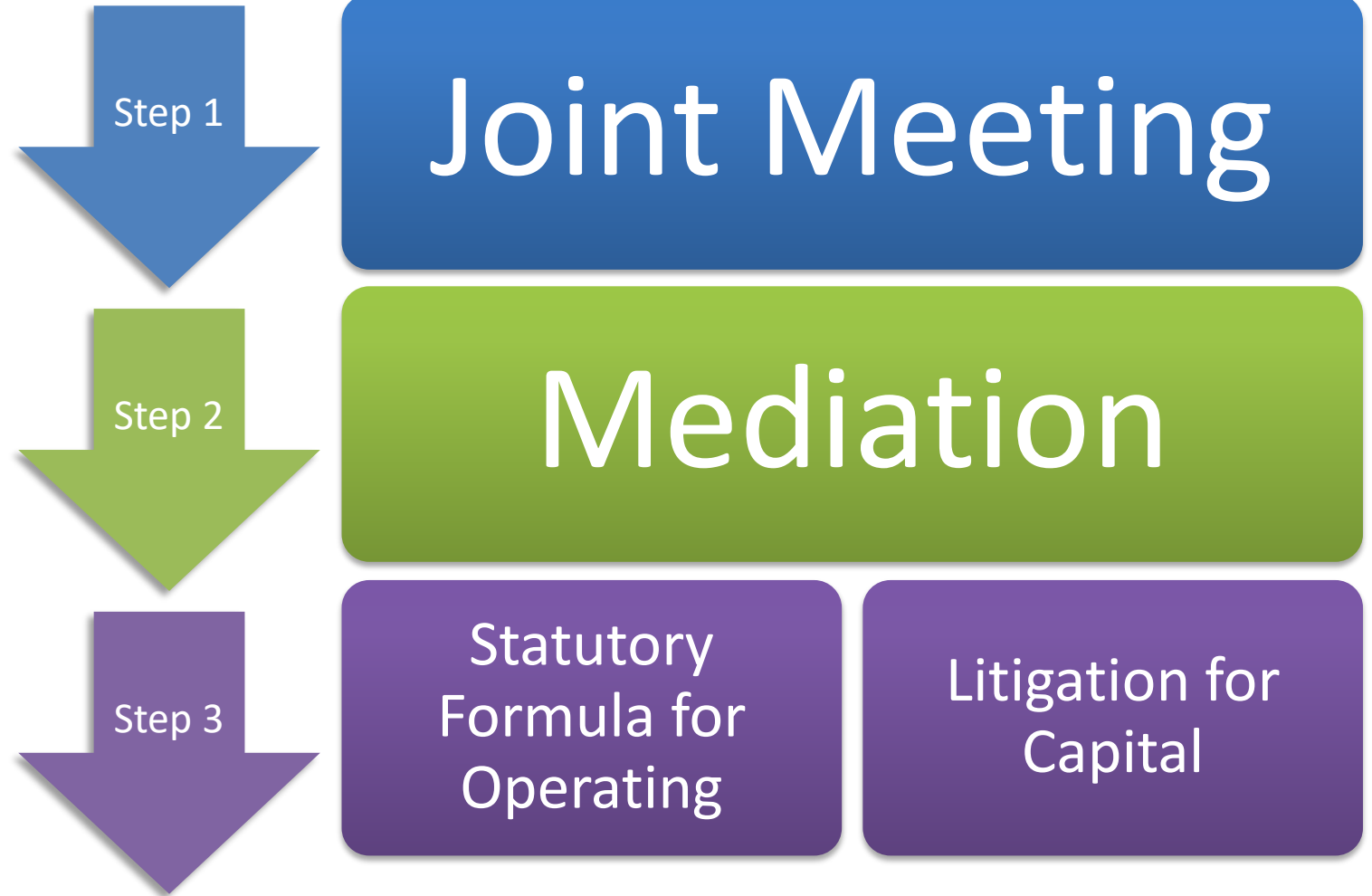
True or False

A county board of commissioners must provide a minimum level of funding to its school system(s) each year.



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."



Statutory Minimum Funding Formula

Per Pupil Maintenance of Effort + Inflation

Default Formula < 2 Years in a Row	Default Formula ≥ 2 Years in a Row
<ul style="list-style-type: none">• Amount of county local current expense appropriation actually spent in prior year• Divide by prior year ADM• Multiply by inflationary factor• Multiply by budget year in dispute ADM	<ul style="list-style-type: none">• Amount of county local current expense appropriation actually spent in prior year• Divide by prior year ADM• Multiply by higher inflationary factor• Multiply by budget year in dispute ADM

True or False

A county board may make budget appropriations to the local school board that are contingent on certain educational initiatives or outcomes.





CAPITAL FUNDING





**Public School Building
Capital Fund
G.S. 115C, Art. 38A
FY 24-25: \$100,000,000**

- \$100 million lottery funds per year in recent years
- Allocated based on ADM among 100 counties
- County board and school board jointly apply to use funds for capital projects
- No county match required

**Needs Based Public School
Capital Fund
G.S. 115C, Art. 38B
FY 24-25: \$258,252,612**

- Grants to Tier 1 counties and other counties that meet certain hardship financial criteria
- Grant max amounts: \$42m for elementary; \$52m for middle or combo; \$62m for high school.
- Requires county match according to statutory scale
- New provisions requiring repayment under certain circumstances
- Used only for the construction of new school buildings and additions, repairs, and renovations. Grant funds shall not be used for real property acquisition or for capital improvements to administrative buildings. Under certain circumstances may be used for qualifying lease agreements

**Public School Building Repair and Renovation
Fund
G.S. 115C, Art. 38C
FY 24-25: \$50,000,000**

- Funds to counties for repair and renovation projects for local school administrative units within a county.
- DPI must annually allocate all funds available from the Fund to each county in equal amounts.
- Must use funds for enlargement, improvement, expansion, repair, or renovation of classroom facilities at public school buildings within local school administrative units located in the county.
- Funds may NOT be used for the retirement of indebtedness.

County & Other Local Funding



Property Taxes

This is the primary revenue source for county school funding.

Property tax revenue may be used to make appropriations for operating and capital expenditures to schools or to make certain direct expenditures for schools or to pay debt service payments on school capital.



Local Sales & Use Taxes

A portion of county's local sales and use tax proceeds are earmarked for school capital or debt on school capital.



Voted Supplemental School Tax

A school board may petition for a county referendum on a dedicated property tax rate for operating and/or capital expenditures.

If approved, school board requests rate each year and county board may approve up to maximum rate requested by school board.



Fines, Penalties, Forfeitures

The clear proceeds of all local civil penalties for violations of local ordinances that can be criminally enforced and of any statutory penalties that are punitive in nature must be distributed to the schools.

Earmarked Sales and Use Taxes

Legally earmarked for school capital or debt service on school capital

30% of Article 40 ½ cent sales & use tax proceeds
~60% of Article 42 ½ cent sales & use tax proceeds

The county must retain as restricted revenue any earmarked sales and use tax proceeds that are not appropriated to the school unit(s) in any given year.

Not levied by all counties. MAY be used for any school appropriations

Article 46 ¼ cent sales & use tax proceeds

May be used ONLY for economic development, public education, or community colleges

Redistributed Articles 39, 40, & 42 sales & use tax proceeds among certain counties (NCGS 105-524)

School Budget Funds

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(Mainly County Funded)

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This is the level of specificity that county commissioners can direct capital appropriations

Capital Outlay Fund: Categories

Category I (appropriate by project)

- Acquisition of real property
- Construction, reconstructions, enlargement, renovation, or replacement of buildings and other structures for school purposes

Category II (appropriate by category)

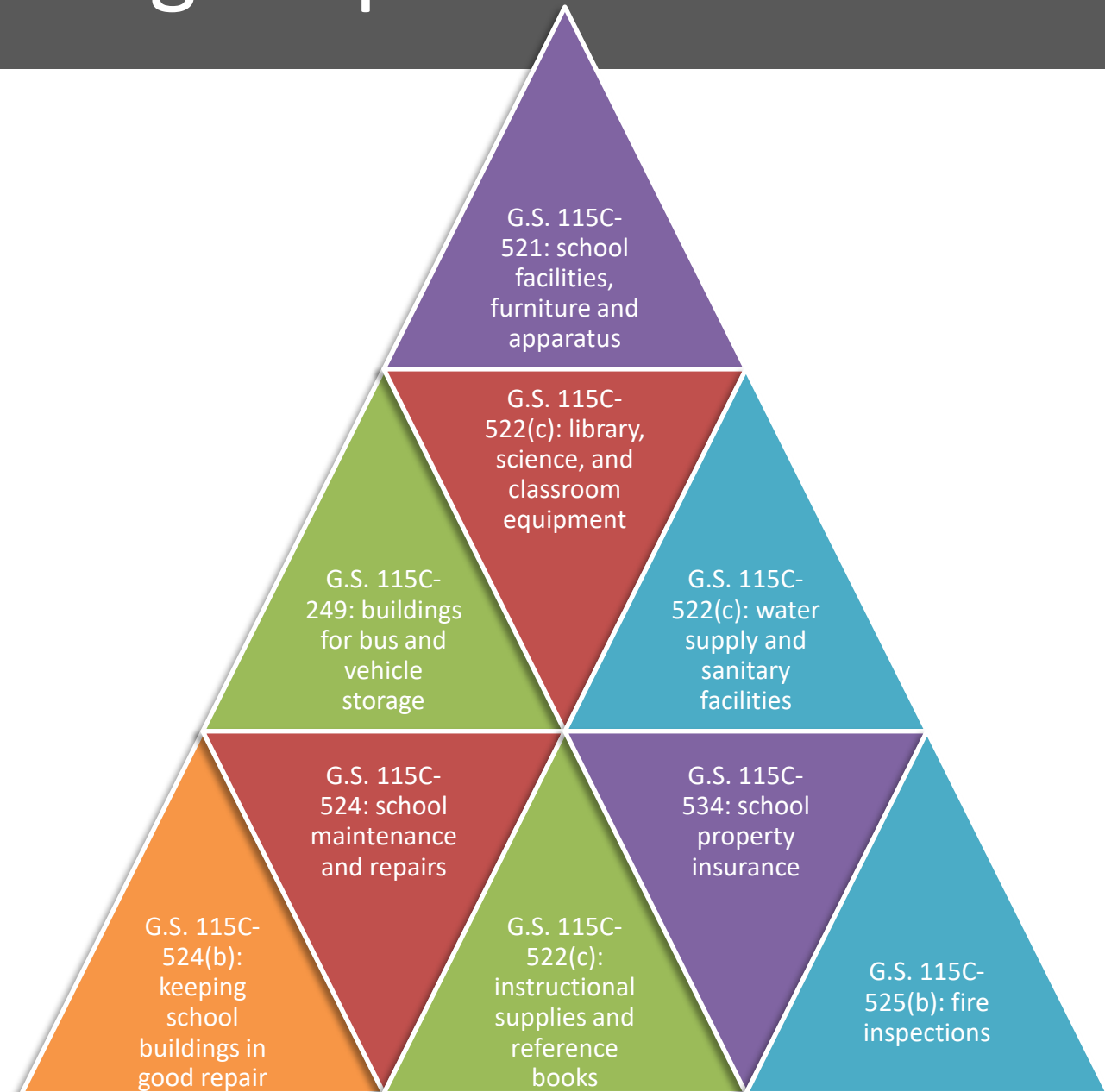
- Acquisition or replacement of furnishings and equipment

Category III (appropriate by category)

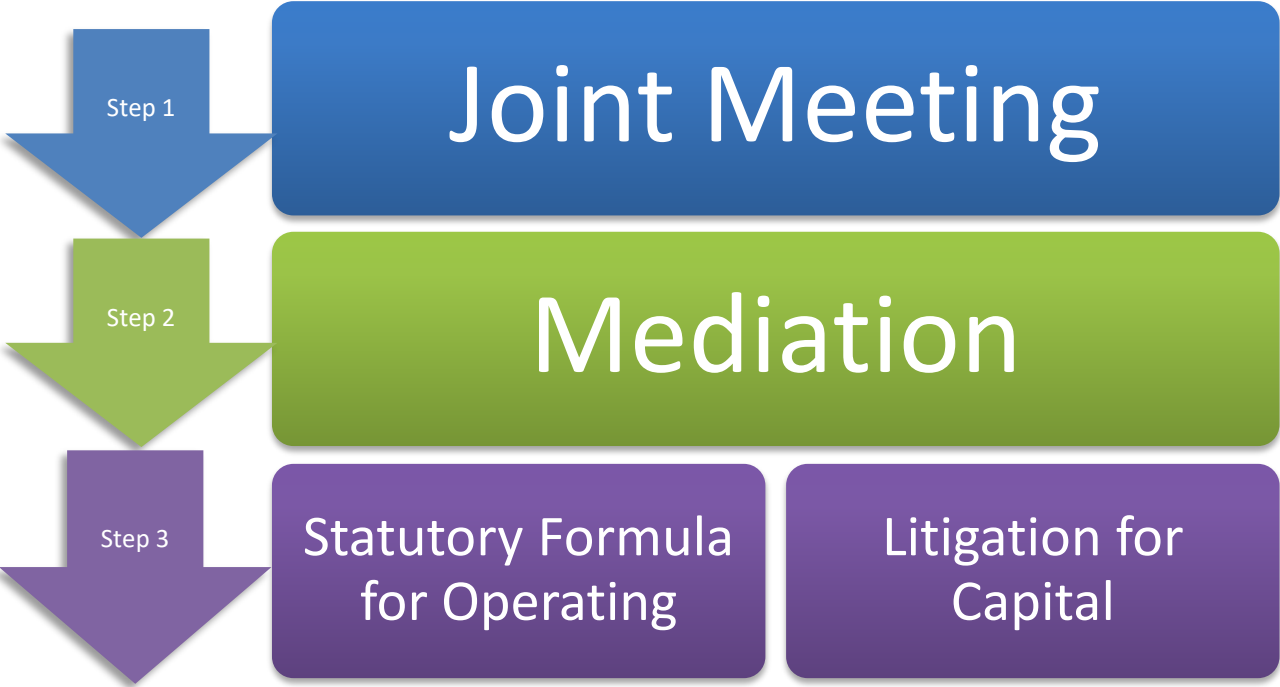
- Acquisition of school buses, activity buses, and other motor vehicles

Capital Funding Requirements

There are several statutes that spell out specific funding requirements for counties, but they do not speak to amounts.



Dispute Resolution Process



Judge or Jury determines “money legally necessary from the board of county commissioners to provide the local school administrative units with buildings suitably equipped, as required by G.S. 115C-521, in order to maintain a system of free public schools as defined by State law and State Board of Education policy. In making the finding, the judge or the jury shall consider the 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.” G.S. 115C-431

Authority to Make Changes During Fiscal Year

County Commissioners

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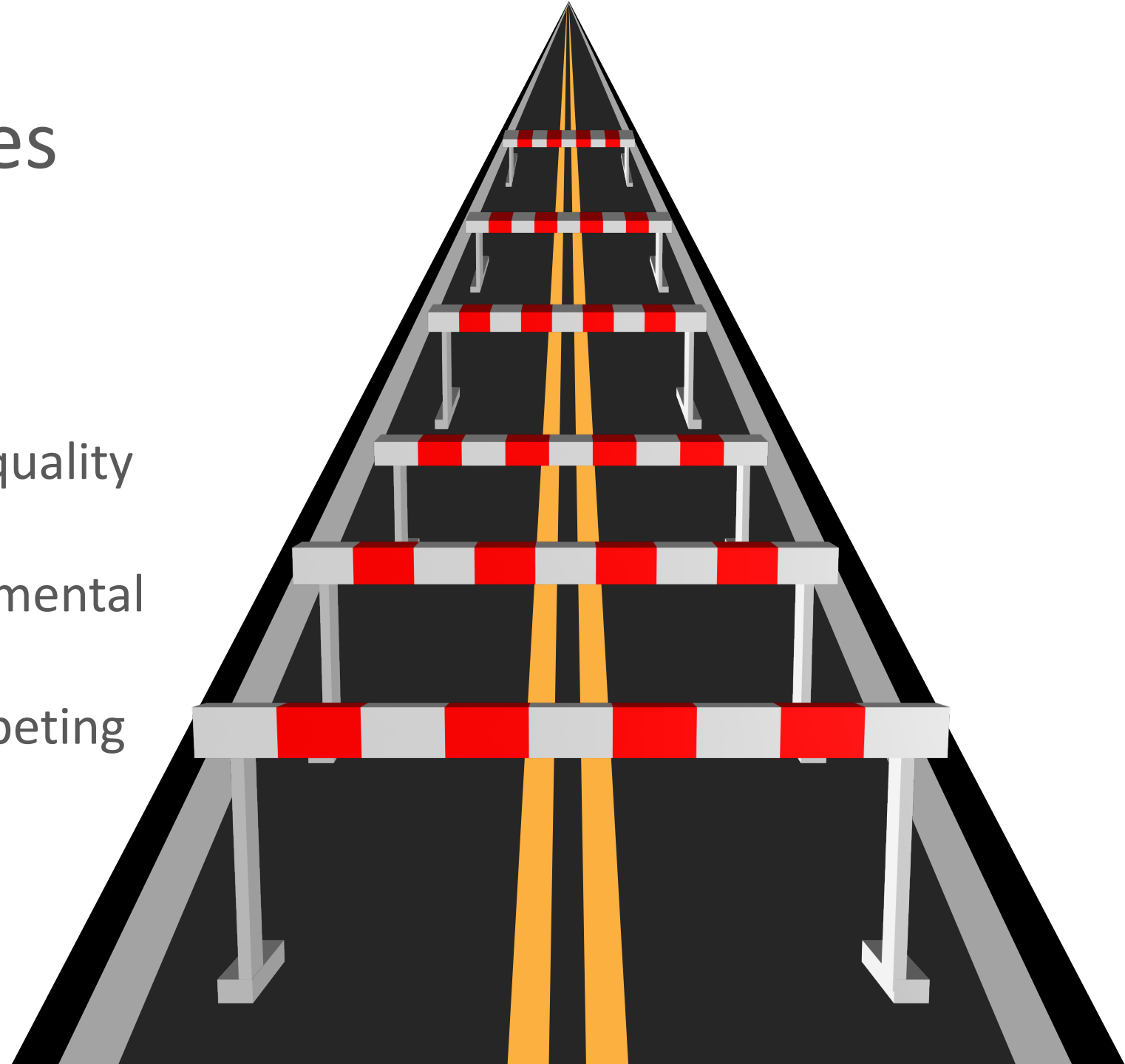
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MAY NOT move money to or from the capital outlay fund to or from any other fund unless it is an emergency unforeseen and unforeseeable at budget time and unless the board of county commissioners approves.

MUST abide by county allocations to capital categories or to purpose function codes, except the law allows the school board to modify between 10% and 25% of local current expense allocations, depending on limitation set by county commissioners.

Current Challenges

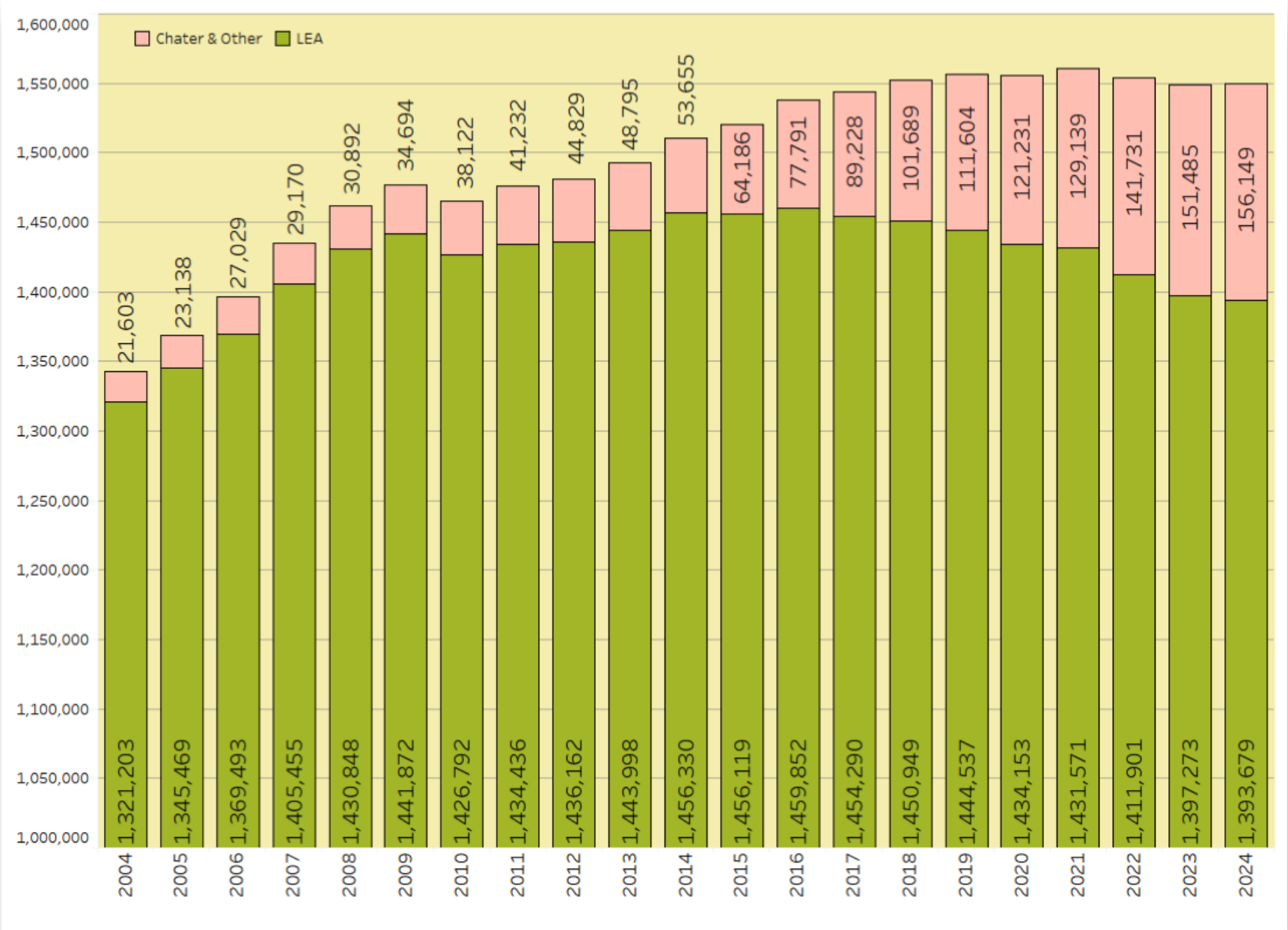
- Funding uncertainty
- Cost increases
- Unfunded mandates
- Attracting and retaining quality staff
- End of COVID-era supplemental funding
- New school models competing for resources
- Accountability to citizens
- Lack of control



Charter Schools

Charter schools in North Carolina have experienced significant growth and evolution since their inception in 1996.

Charter schools in North Carolina operate with greater flexibility than traditional public schools. They are exempt from certain regulations and are not required to provide transportation or participate in the National School Lunch Program.



Charter School Support

	For Operational Needs	For Capital Needs
State	Per pupil allocation for average daily membership + additional funding for children with disabilities and limited English proficiency	Charter may use State funding for operational and financing leases for real property or mobile classroom units and/or loan payments
Local School Administrative Unit	Per pupil share of local current expense fund monies (not including fund balance)	Must lease, upon request of a charter school, any available building or land owned by the school administrative unit unless the school unit's governing board demonstrates that the lease is "not economically or practically feasible or that the local board does not have adequate classroom space to meet its enrollment needs."
County	Not Allowed	<p>May donate surplus, obsolete, or unused personal property to charter schools.</p> <p>May fund for each charter school that educates county residents:</p> <ul style="list-style-type: none"> • The acquisition of real property for school purposes, including, but not limited to, school sites, playgrounds, and athletic fields. • The acquisition, construction, reconstruction, enlargement, renovation, or replacement of buildings and other structures, including, but not limited to, buildings for classrooms and laboratories, physical and vocational educational purposes, libraries, auditoriums, and gymnasiums; and • The acquisition or replacement of furniture and furnishings, instructional apparatus, technology, data processing equipment, business machines, and similar items of furnishings and equipment. <p>Must execute deed of trust</p>
Municipality	May fund operating expenses, special programs of charter schools that serve municipal residents.	<p>May donate surplus, obsolete, or unused personal property to charter schools.</p> <p>For charter schools located within the municipality, may fund general capital (including construction, repair, maintenance, additions, and upgrades)</p> <p>For charter schools located within the municipality, may also fund operational and financing leases for real property or mobile classroom units and/or loan payments</p>

Locating School Facilities

School board decides where new school buildings go

“In construing these statutes, our Court has consistently held that the Board of Education determines whether new school buildings are needed and, if so, where they shall be located. Such decisions are vested in the sound discretion of the Board. The Board's discretion with reference thereto cannot be restrained by the courts absent a manifest abuse of discretion or a disregard of law.”

Painter v. Wake County Bd. Of Educ., 217 SE2d 650 (1975)

County board must approve cost for school site

“No contract for the purchase of a site shall be executed nor any funds expended therefor without the approval of the board of county commissioners as to the amount to be spent for the site; and in case of a disagreement between a board of education and a board of county commissioners as to the amount to be spent for the site, the procedure provided in G.S. 115C-431 shall, insofar as the same may be applicable, be used to settle the disagreement.”

G.S. 115C-426

Multi-Year School Capital Contracts

School board
must get county
board
permission for
certain multi-
year capital
expenditures.

115C-441: County commissioners must approve multi-year school contracts for capital outlay; approval binds county to appropriate funds to cover contract expenses in future fiscal years

115C-528: School boards can enter into a lease purchase/installment finance agreements for certain equipment, vehicles/buses, and mobile classrooms; must get county commissioner approval if contract over 3 years and amount over \$250K or three times the school's annual State allocation for classroom materials, equipment, and instructional supplies, whichever is less.

115C-530: School boards may enter operational leases for real or personal property for use as school buildings or school facilities; must get county commissioner approval if 3 years or more.

Contracting for School Construction / Repairs

115C-521(d): “Local boards of education shall make no contract for the erection of any school building unless the site upon which it is located is owned in fee simple by the local board of education”

BUT, if counties use installment financing to borrow money for school capital project, county must have an ownership interest in property for life of the loan

BUT, school board may contract with county to oversee construction project

115C-521(c): “The building of all new school buildings and the repairing of all old school buildings shall be under the control and direction of, and by contract with, the board of education for which the building and repairing is done.”

Disposing of School Property



“[A]ll moneys, stocks, bonds, and other property belonging to a county school fund, and 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.”

NC Const. Art. IX, Sect. 7

This provision was “designed in its entirety to secure two wise ends, namely: (1) To set apart the property and revenue specified therein for the support of the public school system; and (2) to prevent the diversion of public school property and revenue from their intended use to other purposes.”

Boney v. Board of Trustees of Kinston Graded Schools, 229 N.C. 136 (1948).

115C-518: School board must offer county right of first refusal to purchase school site, real or personal property; but county must pay fair market value.



Start Here

§ 115C-426.2. Joint planning.

In order to promote greater mutual understanding of immediate and long-term budgetary issues and constraints affecting public schools and county governments, local boards of education and boards of county commissioners are strongly encouraged to conduct periodic joint meetings during each fiscal year. In particular, the boards are encouraged to assess the school capital outlay needs, to develop and update a joint five-year plan for meeting those needs, and to consider this plan in the preparation and approval of each year's budget under this Article.



Thank You! / Questions?

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For more information about the North Carolina Association of County Commissioners (NCACC), visit ncacc.org.

Upcoming Webinars in the Series



Webinar 3 — January 6, 2026 | 12:00 p.m.

In Practice: County-School Partnerships That Work

Webinar 4 — January 16, 2026 | 12:00 p.m.

Looking Ahead: Funding Challenges, Shifts, and Strategic Planning

Webinar 5 — January 23, 2026 | 12:00 p.m.

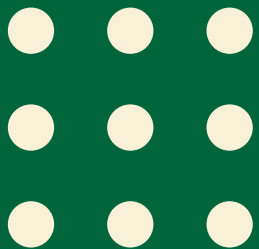
Ask the Experts: Live Q&A on County Roles in School Funding

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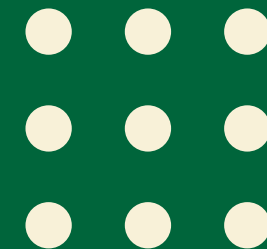
North Carolina Association
of County Commissioners



Legislative Updates

Andrew Blackburn, Gov't
Relations Manager

Tiffany Gladney, Gov't
Relations Manager



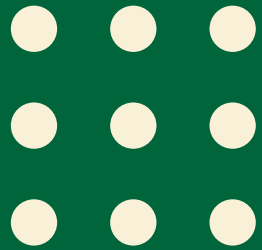


Recent General Assembly Activity

- Scheduled Monthly Work Sessions
 - December 11- Joint Legislative Oversight Committee on Justice and Public Safety
 - December 15- Session Convenes
- Budget Updates
 - Tension remains between the House and Senate
 - No budget



North Carolina Association
of County Commissioners



House Select Committee on Oversight and Reform Meeting

Met December 10, 2025

- Explored whether Chapel Hill-Carrboro City Schools are defying the Parents Bill of Rights, Senate Bill 49.
- Passed in 2023
- Mandates schools to notify parents if a student changes their name and/or pronouns, restricts lessons on gender identity/sexuality for K-4 students, and requires parental consent for in school health services and treatment.



Senate Bill 449– Continuing Budget Operations Education Provisions

- Passed October 23, 2025
- Section IV:
 - Cooperative Innovative High School Funding, contingent upon economic designation tier
 - Tier 1- \$275,000 R
 - Tier 2- \$200,00 R
 - Tier 3- \$180,000 R



Senate Bill 449– Continuing Budget Operations Education Provisions

- Passed October 23, 2025
- Section IV:
 - NC Promise Tuition Changes:
 - Elizabeth City State University, UNC Pembroke, Fayetteville State University and Western Carolina University
 - Tuition for in state students will remain the same
 - Out of state tuition to go from \$2,500 to \$3,500



House Select Committee on Property Tax Reduction and Reform

- Review property tax relief programs to modify or expand
- Expand property tax relief mechanisms
- Consider amending NC Constitution for more property tax reform
- Review local government debt and spending levels
- Analyze potential impacts to local government revenue reductions

- First meeting Dec 17, then Jan, then Feb
- Recommendations to the General Assembly by May (maybe by Feb)



House Resolution 1 (One Big Beautiful Bill Act)

- County DSS offices implementing new changes to both SNAP and Medicaid eligibility & determinations
- Next major deadline is Dec 2026
 - County budgets set by July 2026, but data needed beforehand
- Questions about state funding/support for increased county workload