



NCACC Webinar Series: Looking Ahead: Funding Challenges, Federal Shifts, and Strategic Planning

Presented by:

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G.S. 115C-408



SUBCHAPTER VII. FISCAL AFFAIRS.

Article 30.

Financial Powers of the State Board of Education.

§ 115C-408. Funds under control of the State Board of Education.

(a) It is the policy of the State of North Carolina to create a public school system that graduates good citizens with the skills demanded in the marketplace, and the skills necessary to cope with contemporary society, using State, local and other funds in the most cost-effective manner. The Board shall have general supervision and administration of the educational funds provided by the State and federal governments, except those mentioned in Section 7 of Article IX of the State Constitution, and also excepting such local funds as may be provided by a county, city, or district. The Superintendent of Public Instruction shall administer any available educational funds through the Department of Public Instruction in accordance with all needed rules and regulations adopted by the State Board of Education.

(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.

It is the intent of the 1983 General Assembly to further clarify and delineate the specific financial responsibilities for the public schools to be borne by State and local governments. (1955, c. 1372, art. 2, s. 2; 1957, c. 541, s. 11; 1961, c. 969; 1963, c. 448, ss. 24, 27; c. 688, ss. 1, 2; c. 1223, s. 1; 1965, c. 1185, s. 2; 1967, c. 643, s. 1; 1969, c. 517, s. 1; 1971, c. 704, s. 4; c. 745; 1973, c. 476, s. 138; c. 675; 1975, c. 699, s. 2; c. 975; 1979, c. 300, s. 1; c. 935; 1981, c. 423, s. 1; 1983 (Reg. Sess., 1984), c. 1103, s. 12; 2016-126, 4th Ex. Sess., s. 5.)

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Basics of County Financing for Public Schools

North Carolina's Unique Financing & Governance Structure for Public Education

- North Carolina counties are charged with building, equipping, and maintaining school facilities; G.S. 115C-08(b) stipulates that public school facilities requirements will be met by county governments.
- The State of North Carolina is charged with funding school operations, known as current expense; G.S. 115C-408(b) stipulates that the state, from state revenues, will fund public school operating instructional expense as defined in the standard course of study.
- NC counties are designated statutorily as the local taxing authorities for independently elected school boards, meaning the Board of County Commissioners is the tax-levying authority on behalf of the local school administrative unit. In most other states and school districts, the school system acts as its own fiscally independent taxing authority.
- NC counties supplement state school operating expenses. G.S. 115C-426(e) provides that the local current expense fund, which includes county operations funding added to the state appropriation, must be "sufficient" to fund the current operating expense of the public school system "within the financial resources and consistent with the fiscal policies of the board of county commissioners."
- In 2015-16, school expenses-operating, capital, and debt service-consumed, on average, 39% of each county budget.
- Statute expressly permits local education agencies (LEAs) to sue counties over the "sufficiency" of current expense levels, capital funding levels, or both, triggering a lengthy dispute resolution process that can culminate with a hearing and judgment in court. School boards are not expressly permitted to sue the state or federal governments for lack of sufficient funding, and no other entity is specifically granted this power to sue a taxing authority over funding sufficiency.
- Some counties have multiple school districts within county boundaries, typically referred to as "city districts." Municipal governments have no authority and do not finance school operations or capital; counties fund city districts by allocating school operating dollars proportionately based on per pupil allotment.

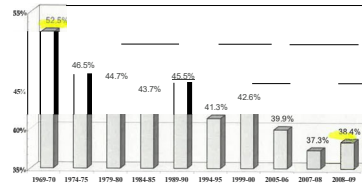
County Funding for School Capital Needs

- By statute, counties are responsible for public school facilities.
- In 2014-15, NC counties spent \$1.5 billion on school capital projects and debt service to support 94% of public schools' total capital spending.

Percent of the General Fund Public Schools Appropriations

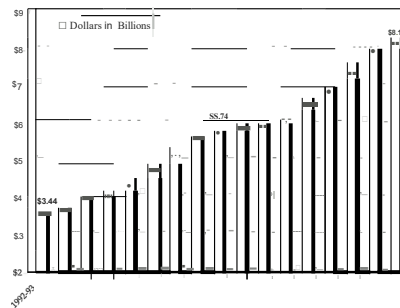
Although the total appropriations for Public Schools continue to increase, Public Schools are receiving less of the General Fund appropriations.

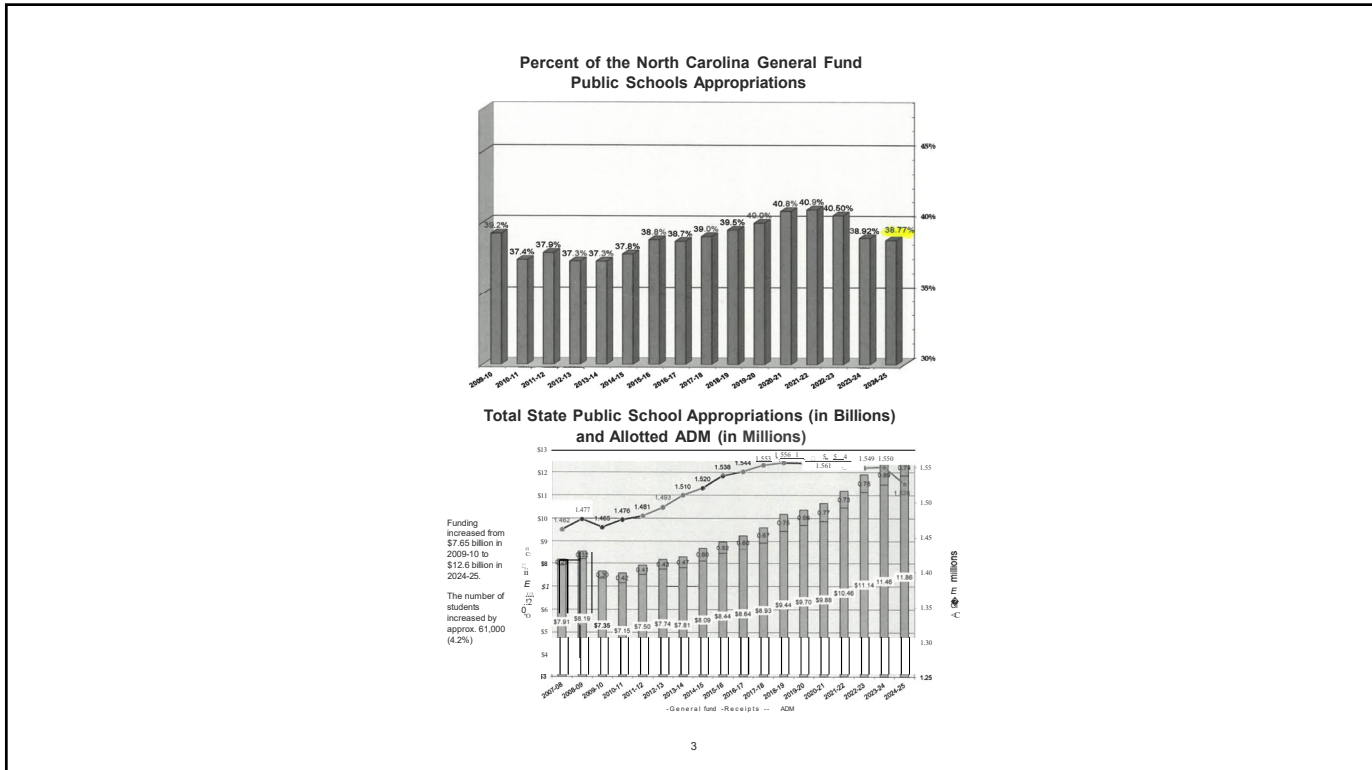
Since 1970, the Public School's share of the General Fund has decreased by 14.1%. If our Public Schools were still funded at the same percentage as in FY 1969-70, we would have an additional \$3.01 billion for our students.



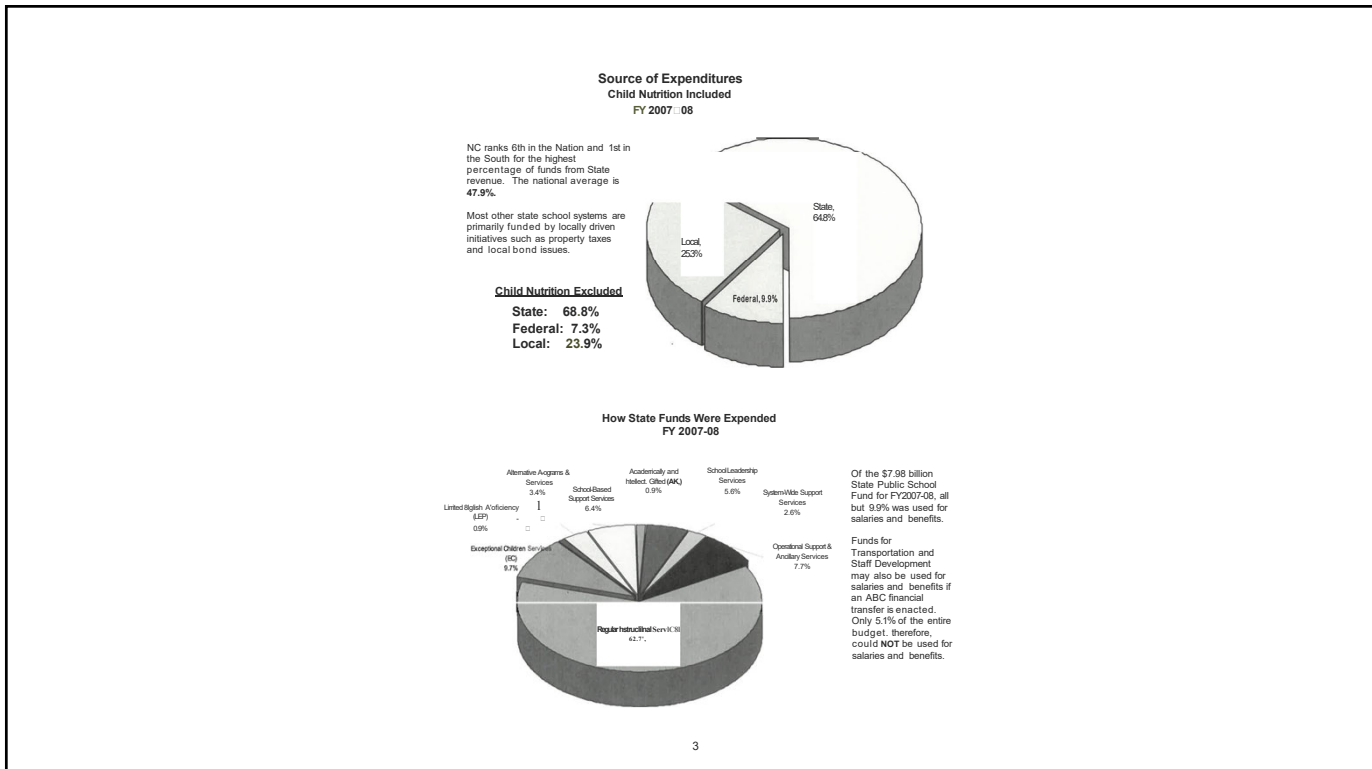
Total State Public Schools Funding 1992-93 to 2008-09

Funding has continually increased since 1992-93, from \$3.44 billion in 1992-93 to \$8.19 billion in 2008-09.

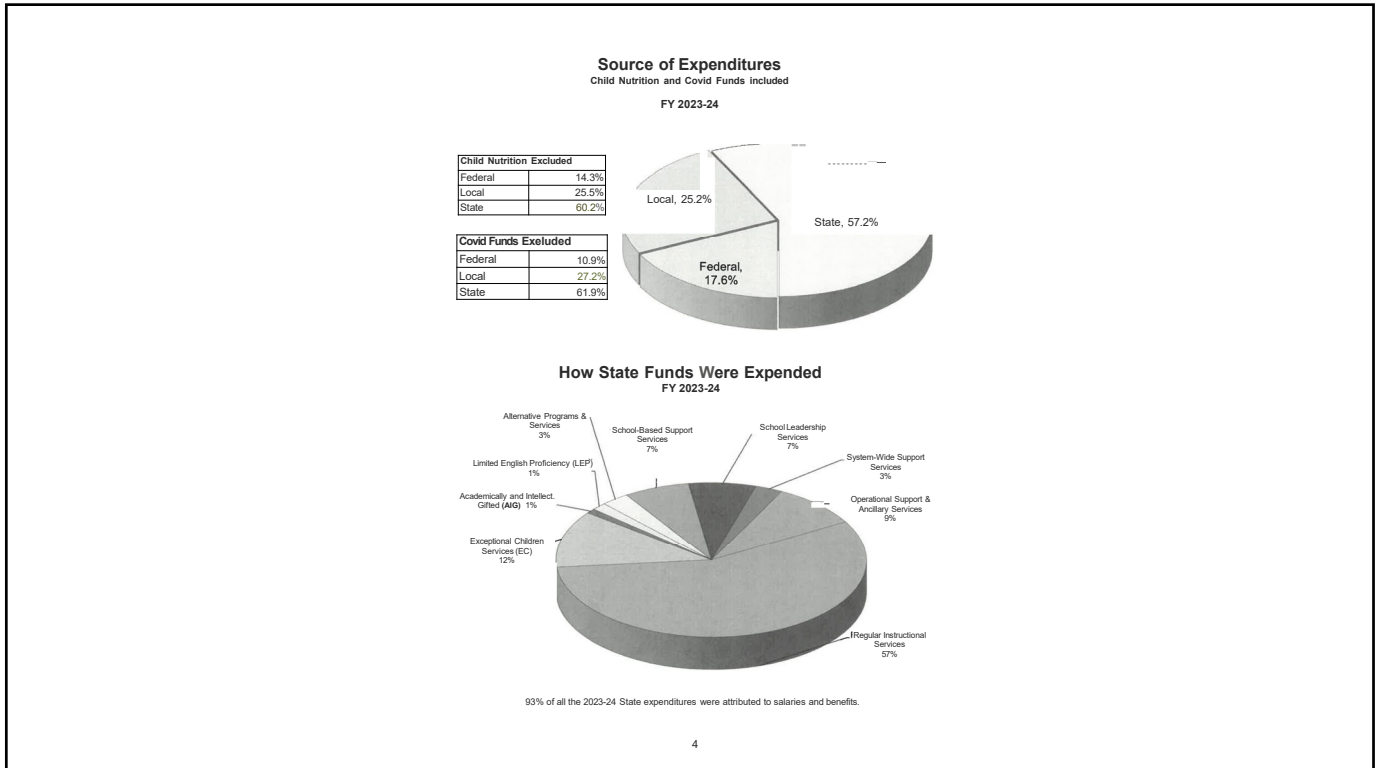




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ACCESSING PUBLIC SCHOOL FINANCIAL INFORMATION FROM DEPARTMENT OF PUBLIC INSTRUCTION

- www.dpi.nc.gov
- Data and Reports
- Demographics and Finances
- Allotments- Funding Public School Units
- Allotment Data-Public Site
- Year to date Allocation (drop down to your county)

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Year-to-date Allocation: One LEA

NC DPI School Allotment Section - Allotment Data

Welcome | Estimated (Planning) Allotment | State_Initial_Allotment | Year_to_date_Allocation | Support_Documentation

Year-to-date Allocation - 9. State and Federal Allocation - One LEA

Welcome

Welcome, Site Map

Select Year: 2025-26 | Select LEA: Cumberland County 260

Year-to-date Allocation

9. One LEA

State Allocation Dollar

10. One Year

11. One LEA

State Allocation - One PRC

12a. Dollar

12b. Position

12c. Month

State Allocation - at State Level

13a. Dollar

13b. Position

13c. Month

State Allocation - All Data

14. By Allotment Type

Federal Allocation

20. One Year

21. One LEA

22. One PRC

23. at State Level

Year-to-date State and Federal Allocation							
Fiscal Year 2026 As of Allotment Revision#042							
LEA#260 Cumberland County							
FEDERAL PROGRAMS							
Fiscal Year	LEA	PRC	PRC Description	Grant Year	As of Rev#042 Position	As of Rev#042 Month	As of Rev#042 Dollar
2025-26	260	101	Sexual Risk Avoidance Education Program	2024	0.00	0.00	14,940.00
2025-26	260	017	Career and Technical Education - Program Improvement	2025	0.00	0.00	47,464.00
2025-26	260	017	Career and Technical Education - Program Improvement	2026	0.00	0.00	1,096,092.00
2025-26	260	118	IDEA Special Needs Targeted Assistance	2025	0.00	0.00	-1,500.01
2025-26	260	108	ESEA Title IV, Part A - Student Support & Academic Enrichment Grants	2026	0.00	0.00	1,626,418.00
2025-26	260	104	ESEA Title III, Part A - English Language Acquisition	2026	0.00	0.00	232,761.00
2025-26	260	103	ESEA Title II, Part A - Supporting Effective Instruction	2026	0.00	0.00	2,494,054.00
2025-26	260	101	Sexual Risk Avoidance Education Program	2025	0.00	0.00	76,000.00
2025-26	260	060	IDEA - Section 611 Grants to States	2026	0.00	0.00	12,037,558.00
2025-26	260	060	IDEA - Section 611 Grants to States	2024	0.00	0.00	-0.17
2025-26	260	050	ESEA Title I, Part A - Base/Concentration/Education Finance/Targeted Grants	2026	0.00	0.00	21,666,254.00
2025-26	260	049	IDEA - Section 619 Preschool Grants	2026	0.00	0.00	294,400.00
Subtotal					0.00	0.00	39,572,649.82
OTHER PROGRAMS							
Fiscal Year	LEA	PRC	PRC Description	Grant Year	As of Rev#042 Position	As of Rev#042 Month	As of Rev#042 Dollar
2025-26	260	120	LEA Financed Purchase of School Buses				921,765.00
2025-26	260	012	Driver Training				1,070,318.00
2025-26	260	015	School Technology Fund				576,679.00
Subtotal							2,562,762.00
STATE PUBLIC SCHOOL FUND							
Fiscal Year	LEA	PRC	PRC Description	Grant Year	As of Rev#042 Position	As of Rev#042 Month	As of Rev#042 Dollar
2025-26	260	054	Academically or Intellectually Gifted				2,910,054.00
2025-26	260	046	Third Grade Read to Achieve Teacher Bonus				416,519.00
2025-26	260	048	Principal and Other Teacher Performance Bonuses				1,112,536.00
2025-26	260	054	Limited English Proficiency				1,467,435.00
2025-26	260	055	Cooperative Innovative High Schools				825,000.00

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Year-to-date Allocation: One LEA

2025-26	260	056	Transportation of Pupils				14,941,410.00
2025-26	260	061	Classroom Materials/Instructional Supplies/Equipment				1,525,475.00
2025-26	260	067	Assistant Principal Interns - ISA Students				997,657.00
2025-26	260	069	At-Risk Student Services/Alternative Schools				12,772,139.00
2025-26	260	071	Supplemental Funds for Teacher Compensation				7,092,463.00
2025-26	260	078	Digital Learning Initiative: Digital Literacy Solution				185,400.00
2025-26	260	079	Career Technical Education - Education & Workforce Innovation Program				225,000.00
2025-26	260	083	Career Technical Education - Credential Program Support				567,882.00
2025-26	260	085	Literacy Intervention				920,892.00
2025-26	260	087	LEA Direct Purchase of Replacement School Buses - Stop Arm Enhancement Fund - Cameras				12,000.00
2025-26	260	089	Children with Disabilities - Special State Reserve				27,076.00
2025-26	260	096	Special Position Allotment			1.20	95,100.00
2025-26	260	131	Textbook & Digital Resources				6,809,388.44
2025-26	260	253	Health Career Promotion				3,321.89
2025-26	260	032	Children with Disabilities				37,565,528.00
2025-26	260	031	Low Wealth Counties Supplemental Funding				23,049,997.00
2025-26	260	027	Teacher Assistants				16,991,983.00
2025-26	260	025	Advanced Teaching Roles Salary Supplements				492,323.00
2025-26	260	024	Disadvantaged Students Supplemental Funding				4,304,068.00
2025-26	260	020	International Faculty Exchange Teachers				42,002,500.00
2025-26	260	016	Summer Reading Camps				21,188.96
2025-26	260	014	Career Technical Education - Program Support				739,021.00
2025-26	260	013	Career Technical Education - Months of Employment			2,102.00	16,357,784.00
2025-26	260	007	Instructional Support Personnel - Certified			115.00	9,711,492.00
2025-26	260	006	School Health Personnel-Position			111.00	9,529,390.00
2025-26	260	005	School Building Administration			1,511.00	16,168,004.00
2025-26	260	004	K-5 Program Enhancement Teachers			116.00	9,030,608.00
2025-26	260	003	Non-Instructional Support Personnel				16,107,337.00
2025-26	260	001	Classroom Teachers			1,684.78	127,785,851.00
2025-26	260	002	Central Office Administration				2,374,450.00
Subtotal					1,997.98	3,613.00	385,048,354.69
Grand Total					1,997.98	3,613.00	427,163,156.91

1.20 - Position or month allotments

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Highlights of the N.C. Public School Budget

Funding public education in North Carolina is a complex and integrated process. This booklet presents charts and tables which describe how state and federal funds are distributed to North Carolina's Public Schools. It also reviews the changes in average daily membership (ADM) and school personnel.

The State funds schools with the following types of allotments.

Position Allotments:
The State allots educator positions to a local school district for a specific purpose. The local school system pays the educator according to the State salary schedule without being restricted to a specific dollar amount. Each district's average salary will reflect the average experience and education in their district.
Examples of position allotments are:
- Teachers - School Building Administration
- Instructional Support Personnel - School Health Personnel

Dollar Allotments:
School districts receive a dollar amount for non-certified employees and to purchase goods.
Examples of dollar allotments are:
- Teacher Assistants - Textbooks and Digital Resources
- Central Office Administration - Classroom Materials/Supplies/Equip.

Categorical Allotments:
Funding to address differences in student and district characteristics. The funds are to supplement the base funding to provide additional resources, including teachers, for specific populations of students. Categorical allotments include supplemental funds for districts that are low wealth or have a small number of students.
Examples of categorical allotments are:
- At-Risk Student Services - Children with Disabilities
- Limited English Proficient - Low Wealth Supplemental Funding

Grants and Other School Level Programs
State grants are for restricted purposes or schools.
Examples of grants:
- School Safety Grants - Mobile Coding
- Cooperative Innovative High School

For additional information, contact:
School Business Services
North Carolina Department of Public Instruction
Education Building, 301 N. Wilmington Street
Raleigh, North Carolina 27601-2825
Telephone : (984) 236-2440

Quick Facts

Students:
Funded 2024-25 1,538,563

Number of Schools 2024-2025:
LEAs 2,467
Charter 208
Regional 1
Lab School 7

State Funding 2024-25:
General Fund \$11.86 Billion
Total State \$12.60 Billion

Federal Funding
excl. child nutrition: \$1.10 billion
COVID funds \$6.30 billion

Education Percent of General Fund 2024-25: 38.8%

Number of Teachers 24-25
LEA 90,481
Independent Public Schools
9,591
Total 100,072

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Compensation Increases: Teachers and State Employees

Since 2001-2002

The yearly percentage increase in salary accumulates to:

- Teachers 95.3¾**
- State Employees 52.1¾**
- Consumer Price Index 83.4¾**

Fiscal Year	State Employees	Teachers	Consumer Price Index *
2001-02	0.0% a	2.9%	2.2%
2002-03	0.0% a	1.8%	1.0%
2003-04	0.0% a	1.8%	2.2%
2004-05	2.5% a	2.9%	2.7%
2005-06	2.0% f	4.2%	3.4%
2006-07	3.5%	5.0%	3.2%
2007-08	4.0%	5.0%	2.9%
2008-09	2.8% h	4.0% a	3.8%
2009-10	0.0%	0.0%	0.4%
2010-11	0.0%	0.0%	1.6%
2011-12	0.0%	0.0%	3.2%
2012-13	1.2% h	1.2%	2.1%
2013-14	0.0% h	0.0% h	1.5%
2014-15	1.5% i	7.0%	1.9%
2015-16	0.0% i	2.1%	0.7%
2016-17	1.5% a	4.7%	2.1%
2017-18	2.2% j	3.3%	2.1%
2018-19	2.0%	0.3%	1.8%
2019-20	2.5% k	1.2%	2.5%
2020-21	2.5% k	1.2%	1.4%
2021-22	2.5%	2.5%	7.5%
2022-23	2.5% k	2.5%	6.4%
2023-24	4.0%	4.0%	3.1%
2024-25	3.0%	3.0%	2.9%

Notes:

* CPI Source: [df](#)

a. Teachers received varying increases depending on their years of experience.
b. An across-the-board flat rate of \$52.08 per month was provided for all employees.
c. Full-time State Employees received an additional 10 days vacation.
d. Full-time State Employees received an additional 10 days vacation plus a one-time bonus of \$550.
e. State Employees received the greater of \$1,000 or 2.5%.
f. State Employees received the greater of \$850 or 2.0%.
g. State Employees received the greater of \$1,100 or 2.75%.
h. Full-time State Employees received an additional 5 days vacation.
i. Full-time State agency employees received \$1,000. 1.86% is the calculated average increase.
j. State employees received \$750 one-time bonus pay.
k. State employees received 0.5% one-time bonus pay in addition to raise.
l. State employees received \$1,000 raise. 2.2% is the average increase.
m. Most State employees received 2.5%. No increase for public school noncertified personnel.
n. In 2022-23, a minimum of \$15 per hour went into effect for public school employees.

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[Home](#) > [Resources](#) > [Fact Sheets](#) > The Facts on the NC Education Lottery

The Facts on the NC Education Lottery

[2023 and 2024 NC Education Lottery Financial Statements and Audit Report](#)

[View a printable version of this fact sheet \(last updated January, 2025\).](#)

What is the NC Education Lottery?

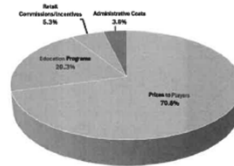
The North Carolina Education Lottery was created in 2005 when Governor Mike Easley signed the North Carolina State Lottery Act and the 2005 Appropriations Act into law. **Originally, 35 percent of lottery proceeds were required to go to education.** However, in 2007, the legislature changed this requirement to a guideline, removing legislation that safeguarded lottery funds for strictly educational purposes. As a result, the percentage of lottery revenue allocated to education spending has decreased in recent years. In 2023, the percentage of lottery revenue allocated for education spending dropped to **23 percent**. This percentage further declined in 2024 to **20.3 percent**.

In fiscal year 2023-24, the North Carolina Lottery generated \$5.38 billion in sales, an increase of 24 percent over the previous year. Education programs in North Carolina received **\$1.09 billion**.

How is Lottery Revenue Spent?

Most of the money spent comes back to the state in the form of prizes, retail commissions, and earnings for education. In the 2023-24 fiscal year, the lottery distribution revenue was allocated to four areas:

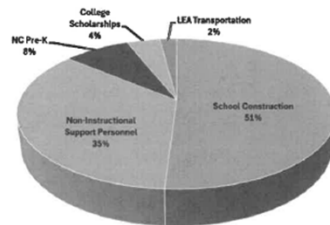
- **Prizes to Players** 70.6% (\$3.8 billion)
- **Education Programs** 20.3% (\$1.09 billion)
- **Retail Commissions** 5.3% (\$290 million)
- **Administrative Costs** 3.8% (\$200 million)



How is Education Funding Spent?

Lottery funds for education are allocated to five main areas: school construction, non-instructional support personnel, NC Pre-K, college scholarships, and LEA transportation. School systems do not determine where this funding goes – instead, state legislators control the breakdown and implementation of lottery dollars. In the fiscal year 2023-24 the education programs receiving lottery dollars were allocated as follows:

- **School Construction:** 51% (\$561.3 million)
 - Needs-Based Public School Capital Fund (\$254.3 million) which supports low-wealth counties in constructing new schools.
 - Additional \$157 million to the Needs-Based Public School Capital Fund after the end of the fiscal year because the lottery's earnings for education exceeded the budgeted projections for 2023-24.
 - Public School Building Capital Fund (\$100 million) to provide financial support for local school districts to build and repair schools.
 - Public School Repair and Renovation Fund (\$50 million) which provided \$500,000 grants to each NC county for school repairs and classroom expansions.
- **Non-Instructional Support Personnel:** 35% (\$385.9 million)



- Support the operations of public and charter schools, including the costs of support staff such as office assistants, custodians and substitute teachers.
- **NC Pre-K:** 8% (\$78.2 million)
- NC Pre-K program—a statewide pre-k program—to fund seats for at-risk four-year-olds.
- **College Scholarships:** 4% (\$41.2 million)
- Scholarship Reserve Fund for public colleges and universities.
- **LEA Transportation:** 2% (\$21.4 million)
- Support school transportation for each of the state's school systems.

Does the lottery increase education funding?

Education programs have received more than \$1.1 billion in lottery funds since 2006, but it is unclear whether this represents an increase in education funding. **Originally, the lottery legislation included a statement that revenues from the lottery should serve as a supplement to existing state funding, rather than a substitute.** However, **this passage was removed** just before voting, creating the possibility for legislators to use lottery revenues as a replacement for state funding.

Critics of the lottery argue that lottery funding has in fact replaced state funding rather than supplementing it. It is difficult to know whether the lottery has increased education funding because we do not know what would have happened with education funding if the lottery did not exist. The effect on education funding of the recession in 2008 and COVID pandemic makes it especially hard to gauge the impact of the lottery.

Unfortunately, North Carolinians often look to the lottery to solve funding needs. Even if the lottery gave the originally required 35% of its revenue to schools (which would total \$1.88 billion for FY 2023-24), it would only cover about 16.3% of the state's total budget for K-12 public schools. Lottery funds do not always go to the highest need areas because state legislators control allocations. Many areas of need in NC's education system at present are poorly funded or not funded at all. More investment is needed to raise NC schools to funding levels they need to support all children in receiving an equitable and effective public education.

Resources and additional references

Doyle, S & DeBusk, J. A. (2023, July 18th). "How much money from the North Carolina Education Lottery goes to schools?" FOX 8 News.

NC General Assembly. (2023, September). "Current Operations Appropriations Act of 2023." Sl. 2023-134 (HB 259)

NC Education Lottery. (2024, August 15th). "Half of \$1 billion raised by the N.C. Education Lottery goes to help build and repair public schools."

NC Education Lottery. (2023). *Popular Annual Financial Report*.

Rivera, Tanya. (2024, June 13) "Where Does the NC Education Lottery Money Go?" WFMY News 2.

North Carolina Office of the State Controller "State of North Carolina Financial Highlights."

Last updated January 2025

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Chapter 115C

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.

Appropriations in the capital outlay fund shall be funded by revenues made available for capital outlay purposes by the State Board of Education and the board of county commissioners, supplemental taxes levied by or on behalf of the local school administrative unit pursuant to a local act or G.S. 115C-501 to 115C-511, the proceeds of the sale of capital assets, the proceeds of claims against fire and casualty insurance policies, and other sources.

(g) Other funds shall include appropriations for such purposes funded from such sources as may be prescribed by the uniform budget format. (1975, c. 437, s. 1; 1981, c. 423, s. 1; 2010-31, s. 7.17(a); 2013-355, s. 2(a); 2017-57, s. 7.23H(h); 2018-5, s. 38.8(f).)

§ 115C-426.1. Vending facilities.

Moneys received by a local school administrative unit on account of operation of vending facilities shall be deposited, budgeted, appropriated, and expended in accordance with the provisions of this Article. (1983 (Reg. Sess., 1984), c. 1034, s. 168.)

§ 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. (1995 (Reg. Sess., 1996), c. 666, s. 2.)

§ 115C-427. Preparation and submission of budget and budget message.

(a) Before the close of each fiscal year, the superintendent shall prepare a budget for the ensuing year for consideration by the board of education. The budget shall comply in all respects with the limitations imposed by G.S. 115C-432.

(b) The budget, together with a budget message, shall be submitted to the board of education not later than May 1. The budget and budget message should, but need not, be submitted at a formal meeting of the board. The budget message should contain a concise explanation of the educational goals fixed by the budget for the budget year, should set forth the reasons for stated changes from the previous year in program goals, programs, and appropriation levels, and should explain any major changes in educational or fiscal policy. (1975, c. 437, s. 1; 1981, c. 423, s. 1.)

§ 115C-428. Filing and publication of the budget; budget hearing.

(a) On the same day that he submits the budget to the board of education, the superintendent shall file a copy of it in his office where it shall remain available for public inspection until the budget resolution is adopted. He may also publish a statement in a newspaper qualified under G.S. 1-597 to publish legal advertisements in the county that the budget has been submitted to the board of education, and is available for public inspection in the office of the superintendent of schools. The statement should also give notice of the time and place of the budget hearing authorized by subsection (b) of this section.

(b) Before submitting the budget to the board of county commissioners, the board of education may hold a public hearing at which time any persons who wish to be heard on the school budget may appear. (1975, c. 437, s. 1; 1981, c. 423, s. 1.)

https://www.ncleg.gov/enactedlegislation/statutes/html/bychapter/chapter_115c.html

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Chapter 115C

§ 115C-429. Approval of budget; submission to county commissioners; commissioners' action on budget. [Effective until June 30, 2023]

(a) Upon receiving the budget from the superintendent and following the public hearing authorized by G.S. 115C-428(b), if one is held, the board of education shall consider the budget, make such changes therein as it deems advisable, and submit the entire budget as approved by the board of education to the board of county commissioners not later than May 15, or such later date as may be fixed by the board of county commissioners. At the time of submission of the 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 or included on the Innovative School District qualifying, watch, or warning list, 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.

(b) The board of county commissioners shall complete its action on the school budget on or before July 1, or such later date as may be agreeable to the board of education. The commissioners shall determine the amount of county revenues to be appropriated in the county budget ordinance to the local school administrative unit for the budget year. The board of county commissioners may, in its discretion, allocate part or all of its appropriation by purpose, function, or project as defined in the uniform budget format.

(c) 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.

(d) Nothing in this Article shall be construed to place a duty on the board of commissioners to fund a deficit incurred by a local school administrative unit through failure of the unit to comply with the provisions of this Article or rules and regulations issued pursuant hereto, or to provide moneys lost through misapplication of moneys by a bonded officer, employee or agent of the local school administrative unit when the amount of the fidelity bond required by the board of education was manifestly insufficient.

(e) A local board of education may request appropriations directly from a city, as authorized by G.S. 160A-700. (1975, c. 437, s. 1; 1981, c. 423, s. 1; 2018-5, s. 38.8(g); 2019-248, s. 1(b).)

§ 115C-429. Approval of budget; submission to county commissioners; commissioners' action on budget. [Effective June 30, 2023]

(a) Upon receiving the budget from the superintendent and following the public hearing authorized by G.S. 115C-428(b), if one is held, the board of education shall consider the budget, make such changes therein as it deems advisable, and submit the entire budget as approved by the board of education to the board of county commissioners not later than May 15, or such later date as may be fixed by the board of county commissioners. At the time of submission of the 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.

(b) The board of county commissioners shall complete its action on the school budget on or before July 1, or such later date as may be agreeable to the board of education. The commissioners shall determine the amount of county revenues to be appropriated in the county budget ordinance to the local school administrative unit for the budget year. The board of county commissioners may, in its discretion, allocate part or all of its appropriation by purpose, function, or project as defined in the uniform budget format.

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(c) 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.

(d) Nothing in this Article shall be construed to place a duty on the board of commissioners to fund a deficit incurred by a local school administrative unit through failure of the unit to comply with the provisions of this Article or rules and regulations issued pursuant hereto, or to provide moneys lost through misapplication of moneys by a bonded officer, employee or agent of the local school administrative unit when the amount of the fidelity bond required by the board of education was manifestly insufficient.

(e) A local board of education may request appropriations directly from a city, as authorized by G.S. 160A-700. (1975, c. 437, s. 1; 1981, c. 423, s. 1; 2018-5, s. 38.8(g); 2019-248, s. 1(b); 2021-180, s. 7.14(n).)

§ 115C-430. Apportionment of county appropriations among local school administrative units.

If there is more than one local school administrative unit in a county, all appropriations by the county to the local current expense fund of the units, except appropriations funded by supplemental taxes levied less than countywide pursuant to a local act of G.S. 115C-501 to 115C-511, must be apportioned according to the membership of each unit. County appropriations are properly apportioned when the dollar amount obtained by dividing the amount so appropriated to each unit by the total membership of the unit is the same for each unit. The total membership of the local school administrative unit is the unit's average daily membership for the budget year to be determined by and certified to the unit and the board of county commissioners by the State Board of Education. (1975, c. 437, s. 1; 1981, c. 423, s. 1; 1985 (Reg. Sess., 1986), c. 1014, s. 78.)

§ 115C-431. Procedure for resolution of dispute between board of education and board of county commissioners.

(a) If the board of education determines that the amount of money appropriated to the local current expense fund, or the capital outlay fund, or both, by the board of county commissioners is not sufficient to support a system of free public schools, the chairman of the board of education and the chairman of the board of county commissioners shall arrange a joint meeting of the two boards to be held within seven days after the day of the county commissioners' decision on the school appropriations.

Prior to the joint meeting, the Senior Resident Superior Court Judge shall appoint a mediator unless the boards agree to jointly select a mediator. The mediator shall preside at the joint meeting and shall act as a neutral facilitator of disclosures of factual information, statements of positions and contentions, and efforts to negotiate an agreement settling the boards' differences.

At the joint meeting, the entire school budget shall be considered carefully and judiciously, and the two boards shall make a good-faith attempt to resolve the differences that have arisen between them.

(b) If no agreement is reached at the joint meeting of the two boards, the mediator shall, at the request of either board, commence a mediation immediately or within a reasonable period of time. The mediation shall be held in accordance with rules and standards of conduct adopted under Chapter 7A of the General Statutes governing mediated settlement conferences but modified as appropriate and suitable to the resolution of the particular issues in disagreement.

Unless otherwise agreed upon by both boards, the following individuals shall constitute the two working groups empowered to represent their respective boards during the mediation:

- (1) The chair of each board or the chair's designee;
- (2) The superintendent of the local school administrative unit and the county manager or either's designee;
- (3) The finance officer of each board; and

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(4) The attorney for each board.

Members of both boards, their chairs, and representatives shall cooperate with and respond to all reasonable requests of the mediator to participate in the mediation. Notwithstanding Article 33C of Chapter 143 of the General Statutes, the mediation proceedings involving the two working groups shall be conducted in private. Evidence of statements made and conduct occurring in a mediation are not subject to discovery and are inadmissible in any court action. However, no evidence otherwise discoverable is inadmissible merely because it is presented or discussed in a mediation. The mediator shall not be compelled to testify or produce evidence concerning statements made and conduct occurring in a mediation in any civil proceeding for any purpose, except disciplinary hearings before the State Bar or any agency established to enforce standards of conduct for mediators. Reports by members of either working group to their respective boards shall be made in compliance with Article 33C of Chapter 143 of the General Statutes.

Unless both boards agree otherwise, or unless the boards have already resolved their dispute, the mediation shall end no later than August 1. The mediator shall have the authority to determine that an impasse exists and to discontinue the mediation. The mediation may continue beyond August 1 provided both boards agree. If both boards agree to continue the mediation beyond August 1, the board of county commissioners shall appropriate to the local school administrative unit for deposit in the local current expense fund a sum of money sufficient to equal the local contribution to this fund for the previous year.

If the working groups reach a proposed agreement, the terms and conditions must be approved by each board. If no agreement is reached, the mediator shall announce that fact to the chairs of both boards, the Senior Resident Superior Court Judge, and the public. The mediator shall not disclose any other information about the mediation. The mediator shall not make any recommendations or public statement of findings or conclusions.

The local board of education and the board of county commissioners shall share equally the mediator's compensation and expenses. The mediator's compensation shall be determined according to rules adopted under Chapter 7A of the General Statutes.

(b) If agreement is not reached in mediation on the amount of money appropriated to the local current expense fund, and the amount to be appropriated has not been calculated pursuant to this subsection for longer than the prior year, the sum to be appropriated for the budget year in dispute shall be calculated as follows:

- (1) The amount of moneys appropriated to the local current expense fund by the board of county commissioners in the prior fiscal year that are expended in that year by the local school administrative unit or transferred as required by G.S. 115C-75.10, 115C-218.105, 115C-238.70, and 116-239.11 shall be divided by the sum of the following: the average daily membership of the local school administrative unit plus the share of the average daily membership of any innovative, charter, regional, or laboratory school whose students reside in the local school administrative unit for the prior school year.
- (2) The amount from subdivision (1) of this subsection, rounded to the nearest penny, shall then be multiplied by the sum of one plus the twelve month percent change in the second quarter Employment Cost Index for elementary and secondary school workers as reported by the Federal Bureau of Labor Statistics.
- (3) The amount from subdivision (2) of this subsection, rounded to the nearest penny, shall then be multiplied by the sum of the following: the allotted average daily membership for the school year plus the share of the average daily membership of any innovative, charter, regional, or laboratory school whose students reside in the local school administrative unit for the budget year in dispute.

The board of county commissioners shall appropriate to the local current expense fund the sum from subdivision (3) of this subsection, rounded to the nearest penny, to the local board of education for the budget year in dispute.

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(b2) If agreement is not reached in mediation, and the amount to be appropriated has been calculated pursuant to subsection (b1) of this section to the local current expense fund for the prior two years, the sum to be appropriated for the budget year in dispute shall be calculated as follows:

- (1) The amount of moneys appropriated to the local current expense fund by the board of county commissioners in the prior fiscal year that are expended in the prior fiscal year by the local school administrative unit and transferred as required by G.S. 115C-75.10, 115C-218.105, 115C-238.70, and 116-239.11 shall be divided by the sum of the following: the average daily membership plus the share of the average daily membership of any innovative, charter, regional, or laboratory school whose students reside in the local school administrative unit for the prior school year.
- (2) The twelve month percent change in the second quarter Employment Cost Index for elementary and secondary school workers as reported by the Federal Bureau of Labor Statistics shall be increased by three percent (3%).
- (3) The amount from subdivision (1) of this subsection, rounded to the nearest penny, shall then be multiplied by the sum of one plus the sum from subdivision (2) of this subsection, rounded to the nearest penny.
- (4) The amount from subdivision (3) of this subsection shall then be multiplied by the sum of the following: the allotted average daily membership for the school year plus the share of the average daily membership of any innovative, charter, regional, or laboratory school whose students reside in the local school administrative unit for the budget year in dispute.

The board of county commissioners shall appropriate to the local current expense fund the sum from subdivision (4) of this subsection, rounded to the nearest penny, to the local board of education for the budget year in dispute.

(b3) Neither the local board of education nor the board of county commissioners shall file any legal action challenging the determination as to the funds to be appropriated by the board of county commissioners to the local current expense fund in accordance with the formulas found in subsections (b1) and (b2) of this section.

(c) Within five days after an announcement of no agreement on the amount of money to be appropriated to the capital outlay fund by the mediator, the local board of education may file an action in the superior court division of the General Court of Justice. Either board has the right to have the issues of fact tried by a jury. When a jury trial is demanded, the cause shall be set for the first succeeding term of the superior court in the county, and shall take precedence over all other business of the court. However, if the judge presiding certifies to the Chief Justice of the Supreme Court, either before or during the term, that because of the accumulation of other business, the public interest will be best served by not trying the cause at the term next succeeding the filing of the action, the Chief Justice shall immediately call a special term of the superior court for the county, to convene as soon as possible, and assign a judge of the superior court or an emergency judge to hold the court, and the cause shall be tried at this special term. The judge shall find, or if the issue is submitted to the jury, the jury shall find the amount of 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.

All findings of fact in the superior court, whether found by the judge or a jury, shall be conclusive. When the facts have been found, the court shall give judgment ordering the board of county commissioners to appropriate a sum certain to the local school administrative unit for the amount of money to be appropriated to the capital outlay fund and to levy such taxes on property as may be necessary to make up this sum when added to other revenues available for the purpose.

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(d) An appeal from the judgement entered as provided in subsection (c) of this section may be taken to the appellate division of the General Court of Justice, and notice of appeal shall be given in writing within 10 days after entry of the judgment. All papers and records relating to the case shall be considered a part of the record on appeal. The conclusion of the school or fiscal year shall not be deemed to resolve the question in controversy between the parties while an appeal is still pending. Any final judgment shall be legally binding on the parties at the conclusion of the appellate process. The payment of any final judgment by the county in favor of the local school administrative unit shall not be considered, or used in any manner, to deny or reduce appropriations to the local school administrative unit by the county in fiscal years subsequent to the one at issue to offset such payment of a final judgment.

(e) If, in an action filed under subsection (c) of this section, the final judgment of the General Court of Justice is rendered after the due date prescribed by law for property taxes, the board of county commissioners is authorized to levy such supplementary taxes as may be required by the judgment, notwithstanding any other provisions of law with respect to the time for doing acts necessary to a property tax levy. Upon making a supplementary levy under this subsection, the board of county commissioners shall designate the person who is to compute and prepare the supplementary tax receipts and records for all such taxes. Upon delivering the supplementary tax receipts to the tax collector, the board of county commissioners shall proceed as provided in G.S. 105-321.

The due date of supplementary taxes levied under this subsection is the date of the levy, and the taxes may be paid at par or face amount at any time before the one hundred and twentieth day after the due date. On or after the one hundred and twentieth day and before the one hundred and fiftieth day from the due date there shall be added to the taxes interest at the rate of two percent (2%). On or after the one hundred and fiftieth day from the due date, there shall be added to the taxes, in addition to the two percent (2%) provided above, interest at the rate of three-fourths of one percent (3/4 of 1%) per 30 days or fraction thereof until the taxes plus interest have been paid. No discounts for prepayment of supplementary taxes levied under this subsection shall be allowed. (1975, c. 437, s. 1; 1981, c. 423, s. 1; 1989, c. 493, s. 2; 1995 (Reg. Sess., 1996), c. 666, s. 3; 1997-222, s. 1; 2007-92, s. 1; 2013-141, s. 1; 2018-83, s. 1.)

§ 115C-432. The budget resolution; adoption; limitations; tax levy; filing.

(a) After the board of county commissioners has made its appropriations to the local school administrative unit, or after the appeal procedure set out in G.S. 115C-431 for the capital outlay fund has been concluded, the board of education shall adopt a budget resolution making appropriations for the budget year in such sums as the board may deem sufficient and proper. The budget resolution shall conform to the uniform budget format established by the State Board of Education.

(b) The following directions and limitations shall bind the board of education in adopting the budget resolution:

- (1) If the county budget ordinance allocates appropriations to the local school administrative unit pursuant to G.S. 115C-429(b), the school budget resolution shall conform to that allocation. The budget resolution may be amended to change allocated appropriations only in accordance with G.S. 115C-433.
- (2) Subject to the provisions of G.S. 115C-429(d), the full amount of any lawful deficit from the prior fiscal year shall be appropriated.
- (3) Contingency appropriations in a fund may not exceed five percent (5%) of the total of all other appropriations in that fund. Each expenditure to be charged against a contingency appropriation shall be authorized by resolution of the board of education, which resolution shall be deemed an amendment to the budget resolution, not subject to G.S. 115C-429(b) and 115C-433(b), setting up or increasing an appropriation for the object of expenditure authorized. The board of education may authorize the superintendent to authorize expenditures from contingency appropriations subject to such limitations

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- and procedures as it may prescribe. Any such expenditure shall be reported to the board of education at its next regular meeting and recorded in the minutes.
- (4) Sufficient funds to meet the amounts to be paid during the fiscal year under continuing contracts previously entered into shall be appropriated.
- (5) The sum of estimated net revenues and appropriated fund balances in each fund shall be equal to appropriations in that fund.
- (6) No appropriation may be made that would require the levy of supplemental taxes pursuant to a local act or G.S. 115C-501 to 115C-511 in excess of the rate of tax approved by the voters, or the expenditure of revenues for purposes not permitted by law.
- (7) In estimating revenues to be realized from the levy of school supplemental taxes pursuant to a local act or G.S. 115C-501 to 115C-511, the estimated percentage of collection may not exceed the percentage of that tax actually realized in cash during the preceding fiscal year, or if the tax was not levied in the preceding fiscal year, the percentage of the general county tax levy actually realized in cash during the preceding fiscal year.
- (8) Amounts to be realized from collection of supplemental taxes levied in prior fiscal years shall be included in estimated revenues.
- (9) No appropriation may be made to or from the capital outlay fund to or from any other fund, except as permitted by G.S. 115C-433(d).
- (c) If the local school administrative unit levies its own supplemental taxes pursuant to a local act, the budget resolution shall make the appropriate tax levy in accordance with the local act, and the board of education shall notify the county or city that collects the levy in accordance with G.S. 159-14.
- (d) The budget resolution shall be entered in the minutes of the board of education, and within five days after adoption, copies thereof shall be filed with the superintendent, the school finance officer and the county finance officer. (1975, c. 437, s. 1; 1981, c. 423, s. 1; 1987 (Reg. Sess., 1988), c. 1025, s. 13; 1993, c. 57, s. 1; 2018-83, s. 2.)

§ 115C-433. Amendments to the budget resolution; budget transfers.

- (a) Subject to the provisions of subsection (b) of this section, the board of education may amend the budget resolution at any time after its adoption, in any manner, so long as the resolution as amended continues to satisfy the requirements of G.S. 115C-425 and 115C-432.
- (b) If the board of county commissioners allocates part or all of its appropriations pursuant to G.S. 115C-429(b), the board of education must obtain the approval of the board of county commissioners for an amendment to the budget that (i) increases or decreases expenditures from the capital outlay fund for projects listed in G.S. 115C-426(f)(1) or (2), or (ii) increases or decreases the amount of county appropriation allocated to a purpose or function by twenty-five percent (25%) or more from the amount contained in the budget ordinance adopted by the board of county commissioners: Provided, that at its discretion, the board may in its budget ordinance specify a lesser percentage, so long as such percentage is not less than ten percent (10%).
- (c) The board of education may by appropriate resolution authorize the superintendent to transfer moneys from one appropriation to another within the same fund, subject to such limitations and procedures as may be prescribed by the board of education or State or federal law or regulations. Any such transfers shall be reported to the board of education at its next regular meeting and shall be entered in the minutes.
- (d) The board of education may amend the budget to transfer money to or from the capital outlay fund to or from any other fund, with the approval of the board of county commissioners, to meet emergencies unforeseen and unforeseeable at the time the budget resolution was

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adopted. When such an emergency arises, the board of education may adopt a resolution requesting approval from the board of commissioners for the transfer of a specified amount of money to or from the capital outlay fund to or from some other fund. The resolution shall state the nature of the emergency, why the emergency was not foreseen and was not foreseeable when the budget resolution was adopted, what specific objects of expenditure will be added or increased as a result of the transfer, and what objects of expenditure will be eliminated or reduced as a result of the transfer. A certified copy of this resolution shall be transmitted to the board of county commissioners for (its) approval and to the boards of education of all other local school administrative units in the county for their information. The board of commissioners shall act upon the request within 30 days after it is received by the clerk to the board of commissioners or the chairman of the board of commissioners, after having afforded the boards of education of all other local school administrative units in the county an opportunity to comment on the request. The board of commissioners may either approve or disapprove the request as presented. Upon either approving or disapproving the request, the board of commissioners shall forthwith so notify the board of education making the request and any other board of education that exercised its right to comment thereon. Upon receiving such notification, the board of education may proceed to amend the budget resolution in the manner indicated in the request. Failure of the board of county commissioners to act within the time allowed for approval or disapproval shall be deemed approval of the request. The time limit for action by the board of county commissioners may be extended by mutual agreement of the board of county commissioners and the board of education making the request. A budget resolution amended in accordance with this subsection need not comply with G.S. 115C-430. (1975, c. 437, s. 1; 1981, c. 423, s. 1.)

§ 115C-434. Interim budget.

In case the adoption of the budget resolution is delayed until after July 1, the board of education shall make interim appropriations for the purpose of paying salaries and the usual ordinary expenses of the local school administrative unit for the interval between the beginning of the fiscal year and the adoption of the budget resolution. Interim appropriations so made and expended shall be charged to the proper appropriations in the budget resolution. (1975, c. 437, s. 1; 1981, c. 423, s. 1.)

Part 3. Fiscal Control.

§ 115C-435. School finance officer.

Each local school administrative unit shall have a school finance officer who shall be appointed or designated by the superintendent of schools and approved by the board of education, with the school finance officer serving at the pleasure of the superintendent. The duties of school finance officer may be conferred on any officer or employee of the local school administrative unit or, upon request of the superintendent, with approval by the board of education and the board of county commissioners, on the county finance officer. In counties where there is more than one local school administrative unit, the duties of finance officer may be conferred on any one officer or employee of the several local school administrative units by agreement between the affected superintendents with the concurrence of the affected board of education and the board of county commissioners. The position of school finance officer is hereby declared to be an office that may be held concurrently with other appointive, but not elective, offices pursuant to Article VI, Sec. 9, of the Constitution. (1975, c. 437, s. 1; 1981, c. 423, s. 1.)

§ 115C-436. Duties of school finance officer.

- (a) The school finance officer shall be responsible to the superintendent for:

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Thank You! / Questions?

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