
Coates' Canons Blog: County Responsibility for Public School Funding

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It is budget season. And, once again, local government officials face tough decisions

about how to balance their annual budgets—Raise taxes and fees? Curtail services? Delay projects? Cut personnel? If my volume of phone calls is any indication, however, the “million dollar” question for many county officials involves determining a county’s responsibility for funding its local school administrative unit(s) (public schools).

This question certainly is not new. And, perhaps to the dismay of many local government and public school officials, the question does not have a simple answer. In fact, I often refer to the statutory and case law guidance on this issue as akin to an eye chart—the contours of a county’s funding authority and responsibility for its public schools appears fairly clear on the surface, but becomes increasingly fuzzy as one delves into the various relevant constitutional and statutory provisions. This post briefly summarizes the constitutional and statutory framework governing local funding of public schools. (In this **post** I address frequently asked questions about the public school budgeting process.)

Constitutional Framework for Public School Funding

Section 2 of Article IX of the North Carolina Constitution states that “[t]he General Assembly shall provide by taxation and otherwise for a general and uniform system of free public schools The General Assembly may assign to units of local government such responsibility for the financial support of the free public schools as it may deem appropriate. The governing boards of units of local government with financial responsibility for public education may use local revenues to add to or supplement any public school or post-secondary school program.” The North Carolina Supreme Court has interpreted this provision to require the State to provide its citizens with access to a “sound basic education.” See **Leandro v. State, 346 N.C. 336, 488 S.E.2d 249 (1997)**. The Legislature, however, may delegate funding responsibility to provide for a “sound basic education” to local governments. Furthermore, local governments with funding responsibility for schools may supply additional financial support to public schools over and above that specifically required by the Legislature. So far, so good—we are at the “E” line on the eye chart.

Statutory Framework for Public School Funding

The next logical step is to determine whether, and to what extent, the General Assembly has assigned funding responsibility to local governments. To that end, **G.S. 115C-408** provides that “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.” This provision appears to indicate that there will be a clear delineation of funding responsibility between the State and counties, with the former providing for all operational expenses and the latter providing for all facilities needs. The statute, by its terms, is merely aspirational, however. It does not actually assign any specific funding responsibilities.

Another statutory provision, **G.S. 115C-426**, requires that a local school administrative unit maintain at least three funds to

account for budgeted monies. One of the funds, the capital outlay fund, includes appropriations from among other sources “revenues made available for capital outlay purposes by the State Board of Education and the board of county commissioners” Another fund, 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.” It further indicates that the appropriations must be funded by among other revenue sources, “moneys made available to the local school administrative unit by the board of county commissioners” This is where things start to get blurry. Despite the “policy” statements in **G.S. 115C-408**, it appears that the State provides at least some funding for capital expenses and counties provide at least some funding for operational expenses. But we still do not know what the State is *required* to fund and what counties are *required* to fund.

That leads us to a handful of statutory provisions that appear to clear things up a bit by assigning specific funding responsibility for specific expenditure items. These statutes assign to counties responsibility for funding most capital outlay expenditures, including school facilities, furniture and apparatus (**G.S. 115C-521**); buildings for bus and vehicle storage (**G.S. 115C-249**); library, science, and classroom equipment (**G.S. 115C-522(c)**); water supply and sanitary facilities (**G.S. 115C-522(c)**); and keeping school buildings in good repair (**G.S. 115C-524(b)**). And, the statutes explicitly assign to counties responsibility for funding some operational expenditures—specifically, school maintenance and repairs (**G.S. 115C-524**); instructional supplies and reference books (**G.S. 115C-522(c)**); school property insurance (**G.S. 115C-534**); and fire inspections (**G.S. 115C-525(b)**).

If the funding framework ended there it might make some sense. A county would be required to fund the public school capital and operational expense items explicitly delegated to it by statute. And, a county could choose to supplement its required appropriations in any given year, within the discretion of its governing board. The State would be required to fund any other expenditures required to enable a local school administrative unit to provide a “sound basic education” (considering, of course, monies the local school administrative unit receives from other sources, such as the federal government).

But the funding framework does not end there. Instead, **G.S. 115C-431** authorizes a local board of education to initiate a dispute resolution process with the county if the local board of education determines that in any given year “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” There are several stages to the dispute resolution process, including a mandatory meeting of the two boards, followed by mediation. If both these steps fail to produce a satisfactory outcome, the local board of education may file an action in superior court against the county. And, according to the statute, the issues to be determined by the court are “the amount of money necessary to maintain a system of free public schools” and the “amount of money [] needed from sources under the control of the board of county commissioners to maintain a system of free public schools.” As I noted in a previous **post**, the North Carolina Supreme Court recently interpreted **G.S. 115C-431** to “itself assign to the local government responsibility for funding ‘a system of free public schools’” Thus, in any given year, a county may be required to fund additional operational (and capital) expenditure items than those explicitly specified by the statutory provisions listed above. Furthermore, what expenditures a county is legally required to fund (and at what level) will depend, at least in part, on the amount of funding a local school administrative unit receives from other sources.

Factors in Local Funding Determination

The constitutional and statutory framework does not provide much prospective guidance for county and public school officials wrestling with tough budgetary decisions. What (and how much) a county is required to fund will depend on the unique facts and circumstances facing the county and its local school administrative unit(s) in any given fiscal year. (And the amount a county appropriates for public school capital or operational expenses may increase, decrease, or remain unchanged from year to year.) Based on the constitutional and statutory framework described above (and case law interpretations of the various provisions) there are, however, several identifiable factors that influence the amount that a county is legally required to appropriate to its public schools for capital and operational expenses. They include:

- the budget request for capital and operational expenses from the county’s local school administrative unit(s);
- the amount of funding a county’s local school administrative unit(s) receive from other sources—including the State and the federal government;
- the educational policies of the State and the county’s local school administrative unit(s);



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- the size and composition of the student populations in the county's local school administrative unit(s);
 - the financial resources of the county; and
 - the fiscal policies of the county's board of commissioners.

Note that the listed factors are in no particular order—presumably all of them are equally important. The factors simply provide some rudimentary guidelines (a lens if you will) for county officials as they work with their local school board officials to make difficult appropriation decisions relating to public schools.

Links

- canons.sog.unc.edu/?p=2379
- www.ncga.state.nc.us/Legislation/constitution/article9.html
- www.aoc.state.nc.us/www/public/sc/opinions/1997/179-96-1.htm
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_115C/GS_115C-408.html
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_115C/GS_115C-426.html
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_115C/GS_115C-521.html
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_115C/GS_115C-249.html
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_115C/GS_115C-522.html
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- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_115C/GS_115C-525.html
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_115C/GS_115C-431.html