
Coates' Canons Blog: NC Supreme Court Weighs in on Local Funding Scheme for Public Schools

By Kara Millonzi

Article: <https://canons.sog.unc.edu/nc-supreme-court-weighs-in-on-local-public-school-funding-scheme/>

This entry was posted on September 07, 2009 and is filed under Finance & Tax, Public School Finance

UPDATE August 2013: Note that the legislature recently codified the clarifications to the fact-finder's role under G.S. 115C-431 discussed below. Click [here](#) for a summary of the new provisions.

On August 28, 2009, the North Carolina Supreme Court issued *Beaufort County Bd. of Educ. v. Beaufort County Bd. of Commissioners*(No. 106PA08), a decision stemming from a 2006 local public school funding dispute. In my opinion, there are three major holdings:

1. G.S. 115C-431, which prescribes the dispute resolution process for local funding of public schools, does not impermissibly delegate to the courts the legislature's constitutional duty to provide for a "general and uniform system of free public schools."
2. A court (when acting pursuant to G.S. 115C-431) may not require a county to fund more than the minimum level of funding for its local school administrative unit(s) required by state law.
3. A county's funding responsibility for its local school administrative unit(s) is not limited to capital outlay.

Each of these holdings is discussed in more detail below. First, a bit of context...

Description of Beaufort County Dispute

The case arose out of a funding dispute between the board of county commissioners and the local board of education. The local board of education submitted three proposed funding levels for current expenses/instructional needs to the county board of commissioners during the annual budgeting process for the 2006-2007 fiscal year; the lowest amount—\$12,892,697—deemed by the board of education to be the minimum amount "necessary to comply with state mandated budget increases." The county commissioners subsequently adopted a budget ordinance appropriating \$9,434,217 to the local school administrative unit's local current expense fund—\$2,672,087 less than the amount requested. (Apparently, the county also funded 100 percent of the local board of education's request for capital expenditures.)

Believing that the amount appropriated by the county commissioners to the local current expense fund was not sufficient to "support a system of free public schools," the local board of education invoked the dispute resolution process, as set forth in G.S. 115C-431. According to the statutory provisions, the two boards held a joint public meeting and participated in mediation, which ended in an impasse. The local board of education subsequently filed a complaint against the county commissioners, seeking a jury trial to resolve the funding dispute. The issue submitted to the jury was "[w]hat amount of money is needed from sources under the control of the Board of County Commissioners to maintain a system of free public schools in the Beaufort County School System." The jury awarded a total of \$10,200,000 to the local school administrative unit for current expense funding.

The county commissioners appealed and the Court of Appeals affirmed the trial court. The North Carolina Supreme Court granted discretionary review on two issues—(1) whether the statutory framework for resolving school funding disputes between the county board of education and the county board of commissioners is constitutional, and (2) if so, whether the statutory framework has been properly applied in this case.

NC Supreme Court Holding(s)

A majority of the Court held the following:

Rejects Facial Challenge to G.S. 115C-431. The Court first rejected a facial challenge to G.S. 115C-431, holding that in allowing the trial court to determine the level of county funding for local school administrative units, G.S. 115C-431 does not impermissibly delegate the legislature's constitutional duty to provide for a "general and uniform system of free public schools," as required by Section 2(1) of Article XI of the North Carolina Constitution. In so holding, the Court determined that the legislature has "comprehensively" defined what constitutes a system of free public schools and has assigned funding responsibility to counties for current expenses "by requiring that judgment be entered against the county commission if the court finds the cost of schooling is greater than the amount appropriated [by the county commission]." Thus, according to the Court, G.S. 115C-431 merely authorizes "courts to adjudicate a disputed fact: the annual cost of providing a countywide system of education under the policies chosen by the legislature and the State Board."

Clarifies Fact-finder's Role Under G.S. 115C-431. The Court then addressed an argument that G.S. 115C-431 deprives a county of its funding discretion granted by Section 2(2) of Article XI of the North Carolina Constitution, which states:

(2) Local responsibility. 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.

Again, the Court determined that G.S. 115C-431 does not necessarily infringe the discretionary authority afforded counties by this constitutional provision. The Court, however, held that when a judge or jury (as directed by G.S. 115C-431) determines "the amount of money *necessary* to maintain a system of free public schools, and the amount of money *needed* from the county to make up this total" the fact-finder must adopt a "restrictive interpretation" of the terms "necessary" and "needed" in order to protect the county commissioners' constitutional funding discretion. In other words, a court may not require a county to fund more than the minimum level of funding required by state law.

Jury Instructions Constitutionally Deficient in this Case. The Court invoked its general supervisory authority to consider the trial court's instructions to the jury in this case even though "counsel did not object or assign error" to the instructions. The trial court had instructed the jury that the word "needed" as construed in G.S. 115C-431, "means 'that which is reasonable and useful and proper or conducive to the end sought.'" The Court held that this instruction conveyed an "impermissible, expansive definition of this statutory term." Consequently, it remanded the case for a new trial and ordered the trial court to instruct the jury that G.S. 115C-431 requires the "County Commission to provide that appropriation legally necessary to support a system of free public schools, as defined by Chapter 115C and the policies of the State Board." Further, the trial court should instruct the jury "to consider the request of the local board of education, the financial resources of the county, and the fiscal policies of the board of county commissioners." In so ordering, the Court clarified that the provisions in G.S. 115C-431 must be read in conjunction with those in G.S. 115C-426(e).

Counties Responsible for Funding Public School Current Expenses. Although the questions squarely in front of the court related to the constitutionality of the dispute resolution process in G.S. 115C-431, an underlying issue in this case was a county's responsibility to fund the current expenses of its local school administrative unit(s). The Court explicitly rejected the county's argument that the legislature only has assigned to counties responsibility for funding capital expenses, not current expenses, stating that the "statutes explicitly contemplate the funding of current expenses by county commissioners when state funding is insufficient." This holding is not surprising given the language in G.S. 115C-426 that, as noted by the Court, clearly envisions some funding of current expenses by counties and the fact that a handful of statutory provisions explicitly require county funding of specific current expense expenditure items (including G.S. 115C-522(c) (instructional supplies, reference books); G.S. 115C-534 (school property insurance); G.S. 115C-525(b) (fire inspections); and G.S. 115C-524 (school maintenance and repairs)).

The Court's decision, however, also at least implicitly rejects an argument that counties only are responsible for those expenditure items that have been explicitly delegated to them by the legislature. In fact, the Court states that G.S. 115C-431 "itself assigns to the local government responsibility for funding 'a system of free public schools' . . ."



The majority opinion appears to provide some clarity to the local funding scheme for public schools—particularly in reconciling G.S. 115C-431 with other statutory provisions, but I am curious as to how helpful local government and public school officials feel the opinion will be in providing prospective guidance for local funding decisions or the local funding process?

Links

- canons.sog.unc.edu/?p=7213
- appellate.nccourts.org/opinions/?c=1&pdf=5390
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_115C/GS_115C-431.html
- statelibrary.ncdcr.gov/nc/STGOVT/article_vii-xiv.HTM#IX
- www.ncleg.net/EnactedLegislation/Statutes/HTML/ByChapter/Chapter_115C.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-522.html
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_115C/GS_115C-534.html
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_115C/GS_115C-525.html
- www.ncleg.net/EnactedLegislation/Statutes/HTML/BySection/Chapter_115C/GS_115C-524.html