PUBLIC SCHOOLS OF NORTH CAROLINA
State Board of Education | Department of Public Instruction

NC Public School Finance

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Desires

1. Simple, Transparent
2. Flexible
3. Funding aligned with needs
4. Closing the funding gap between counties

A Skeleton "Modern" History

1933	School Machinery Act - Rigid resource model
1985	Basic Education Plan (BEP) - funding model into standardized allotment system based on per pupil needs rather than local wealth
1989	School Improvement and Accountability Act - Allowed flexibility to transfer funds
1995	ABCs of Public Schools - # of Allotment Reduced (45 line items to 10). Additional local flexibility to transfer funds.
1996	Initiate Charter Schools
2011-2018	Initiate Lab, Regional, Innovative School District, Renewal School System, Restart Schools
2013-2017	Repealed the BEP, removed LEA allotment flexibilities, increase in State grants
2017	Began the studies of weighted student formula funding models

Public School Unit (PSU) Facts FY2025-26

115 LEAs (including 1 Renewal School System)

214 Charter Schools (incl 4 Statewide virtual) - 1996

6 Lab Schools - 2006

1 Regional School -2011

3 Residential Schools (State agencies and funded with a direct appropriation)

Students and Staff Facts FY2025-26

1,533,889 funded students (86% in LEAs)

129,000 certified educators

58,000 support personnel

187,000 total employees

Funding Facts State Appropriations all PSUs

$12.75 billion State funded

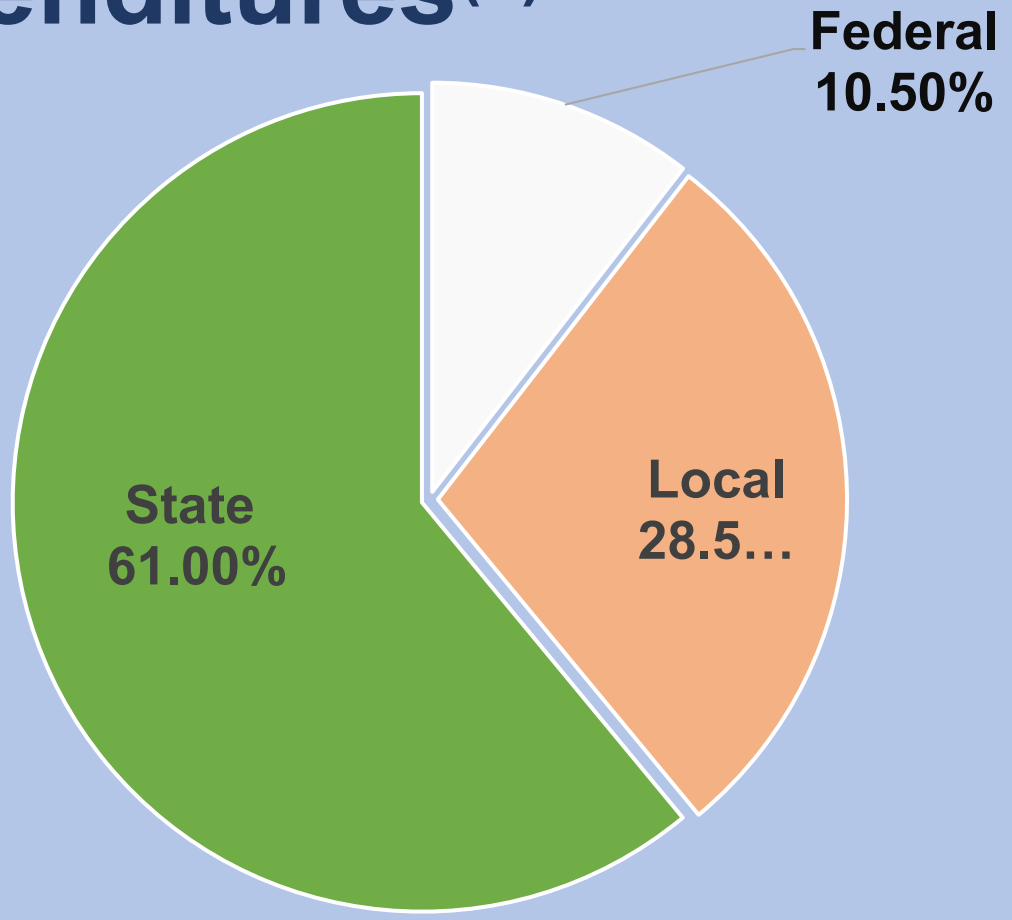
$12.00 billion from State Appropriations 94%

$ 752 million from receipts 6%

(civil penalties, sales tax refund, lottery etc.)

Local Education Agency (LEA) Only Source of Expenditures(1)

	Total	avg/student
State	$11.1 billion	$ 8,152
Local	$ 4.7 billion	$ 3,417
Federal	$ 2.0 billion	$ 1,498
Total	**$17.8 billion**	**$13,068**



82% of all funds are expended on salary and benefits

(1) FY2025 Excludes Covid and Capital funds

Federal Grants – approx. $2 billion

Governed by Federal Agencies:

- USDOE/USDOL - Exceptional children, children in poverty, language acquisition, career technical education (CTE)
- USDA – School nutrition
- CDC – Health personnel

FY 2025- DPI managed 29 different federal grants for PSUs.

Federal Budget

Federal grants are supplemental funds to support specific populations of students.

Per pupil expenditure from federal funds incl. school nutrition (FY2025).

Lowest	$ 492
Median	$ 1,693
Highest	$ 6,050

Local funds

- Governed by local government
- Mostly very flexible and unspent funds do not revert at the end of the year
- Per pupil expenditure from local funds by LEA incl. school nutrition (FY2025)
    - Lowest $ 1,301
    - Median $ 2,831
    - Highest $ 8,946

State Budget and Allotments

Governed by:

- General Statute & Session Law
- State Board of Education Policy

State Funds

- Funds public school current operations (generally not facilities)
- Most funds expire at the end of the fiscal year
- Per pupil from State funds

Low	$7,122
Median	$8,855
High	$20,431

Local Boards of Education Responsibilities

- LEAs shall develop a budget utilizing all funding sources to meet the educational needs of their students.
- This annual balanced budget shall be approved by the local board of education in accordance with the School Budget and Fiscal Control Act.

Weighted Pools of Funds

State, Federal and Local Funds

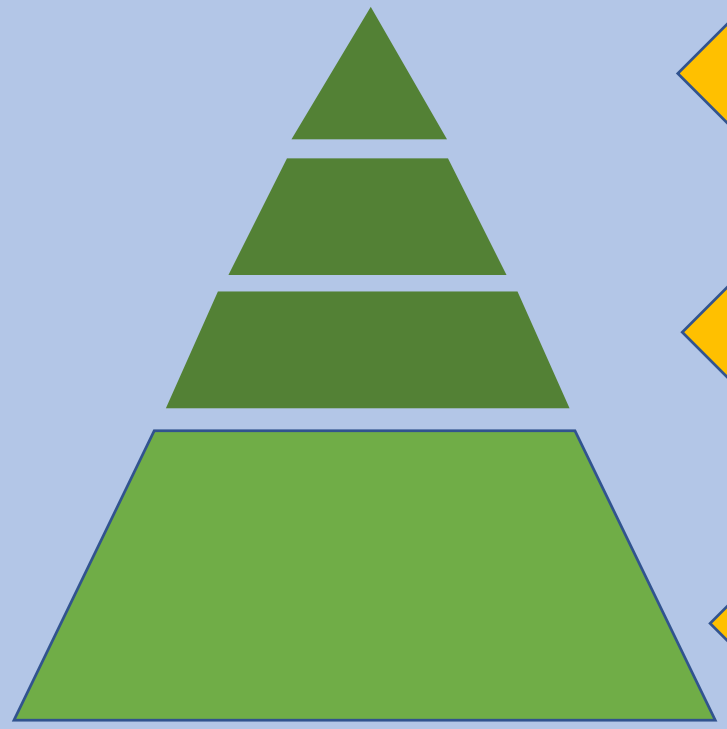
LEA

Weighted Pool of Funds for each LEA to allocate among its schools…

… to meet the unique needs of the LEA's students.

State Funds

Current System of State Allocations



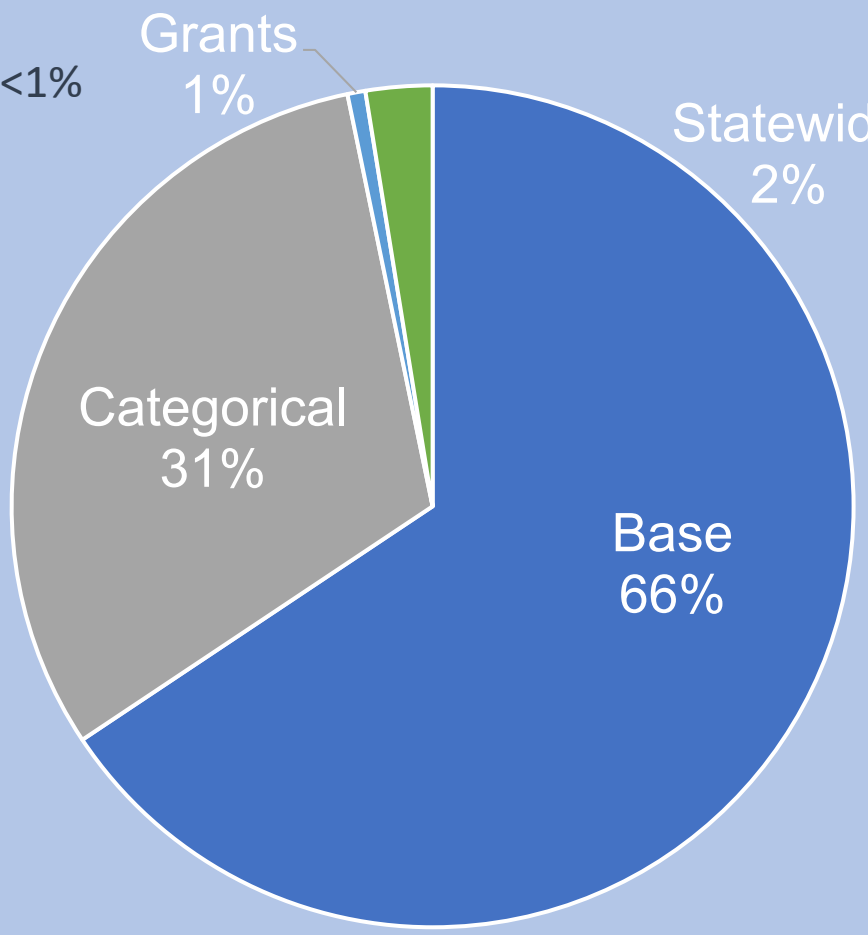
Grants
Restricted Grants

Supplemental Categorical
Funds to address student characteristics or LEA demographics

Base – Positions & Dollars
Base funding generated by all students

State Allocations

13 Grant programs make up <1%
7 new grants in FY2027



Statewide includes school bus replacement, workers comp, annual leave payout, AP/IB test fees and more.

Approximately 92,000 positions are allotted to LEAs

Initial State Allotments

Makes up over 96% of total State Public School Fund

Base – Positions, Dollars & Guaranteed	Categorical - Programs
Classroom teachers*	Disadvantaged Student Supplemental (DSSF)
Instructional support and Health Support*	At Risk Supplemental
Principals*	Career Technical Education support (CTE)
Assistant principals*	Low wealth Small County Supplement
Teacher assistants	Transportation
Classroom materials & textbooks	Academically & Intellectually Gifted (AIG)
Central office admin	Exceptional Children (EC)
School Technology	Limited English Proficiency (LEP)
Non instructional support (Clerical, custodians)	Teacher Salary Supplements

- Includes social security, state health and retirement

How are the funds distributed

Dollar Allotments $ per ADM FY2026

Allotment	Current
Classroom Materials	$31.06 per ADM + $2.69 per ADM in grades 8 & 9 for PSAT
Instructional Materials (previously Textbooks & Digital Resources)	$37.15 per ADM
Non-instructional support personnel	$337.11 per ADM
Teacher Assistants K-3	K - 2 TAs per every 3 classes; Grades 1-2 - 1 TA for every 2 classes; Grade 3 - 1 TA for every 3 classes

Position Allotments

Certified Position Allotments – Unique to NC

Legislature

- Determines the formulas to provide the number of certified educator positions
- Determines the base pay through legislated salary schedules

Certified Position Allotments – Unique to NC

LEA

- Receives positions in each category of certified educators
- Recruits the most qualified individual (experience, education, NBPTS certified)
- Assigns the resource to meet the needs of the student population e.g. the location, grade/subject taught

DPI

- Covers the cost of the position
- Manages the Statewide budget for the 91K salary and benefits

State Budget to LEA Allotments – Positions

Base funding for certified educators are by position allotments

Position Type	State Budgeted positions	Budget 2025-26
Classroom Teachers & PET	72,769	$3,891,308,452
Instructional Support & Health	7,245	$436,119,121
Career Technical Teachers	7,271	$620,902,832
School Based Administrators	4,321	$352,667,424
Benefits (ss, health, retirement)	Guaranteed	$2,242,245,994
Total		**$7,543,243,823**

Classroom and Program Enhancement Teachers

Grades	# students per 10 month teacher position funded
K	18 ADM
1	16 ADM
2-3	17 ADM
4-6	24 ADM
7-8	23 ADM
9	26.5 ADM
10-13	29 ADM
K-5 Program enhancement	191 ADM in K-5

Formula is weighted based on the students' grade.

Positions are allotted into one pool. The LEA has flexibility to assign the teachers to schools/grade/purpose to meet their educational needs. Must meet K-3 class size maximums

Teacher Salary Supplements (Categorical)

$200m is appropriated to provide teacher supplements to LEAs: Formula determines the amount per teacher based on the county:

- Taxable real property
- Median household income
- Effective tax rate

Intended to help with recruitment and retention in less wealthy counties.

Categorical Allotments
Weighted Pool of Funds

Categorical Allotments

Supplement the base allotments to provide additional educational services.

These funds are used primarily for personnel. Eg. Teachers, psychologists, PT/OTs, nurses etc.

- 91% of supplemental exceptional children's funds are expended on personnel.
- 97% of supplemental Limited English proficient funds are expended on personnel.
- 92% of low wealth supplemental funding is expended on personnel.

Categorical Allotments

Categorical Allotment	2025-26 Budget
Academically & Intellectually Gifted	$92m
At-Risk Student Services/Alternative Schools	$374m
Disadvantaged Student Supplemental Funding	$111m
Children with Disabilities	$1.214 bn
Limited English Proficiency	$157m
Small County Supplemental Funding	$60m
Transportation	$654m
Low Wealth Supplemental Funding	$345m
Supplemental Funding for Educator Salary	$200m

Categorical Allotments – Student Characteristics

Each formula is driven on the demographic of the students:

- Exceptional children headcount
- Census data on poverty
- Limited English proficient headcount
- Students below grade level

Categorical Allotments Weighted by LEA Demographic

Low Wealth Supplemental funds

The purpose of the allotment is to provide additional funds to LEAs that have below-State average ability to generate local revenue to support their schools

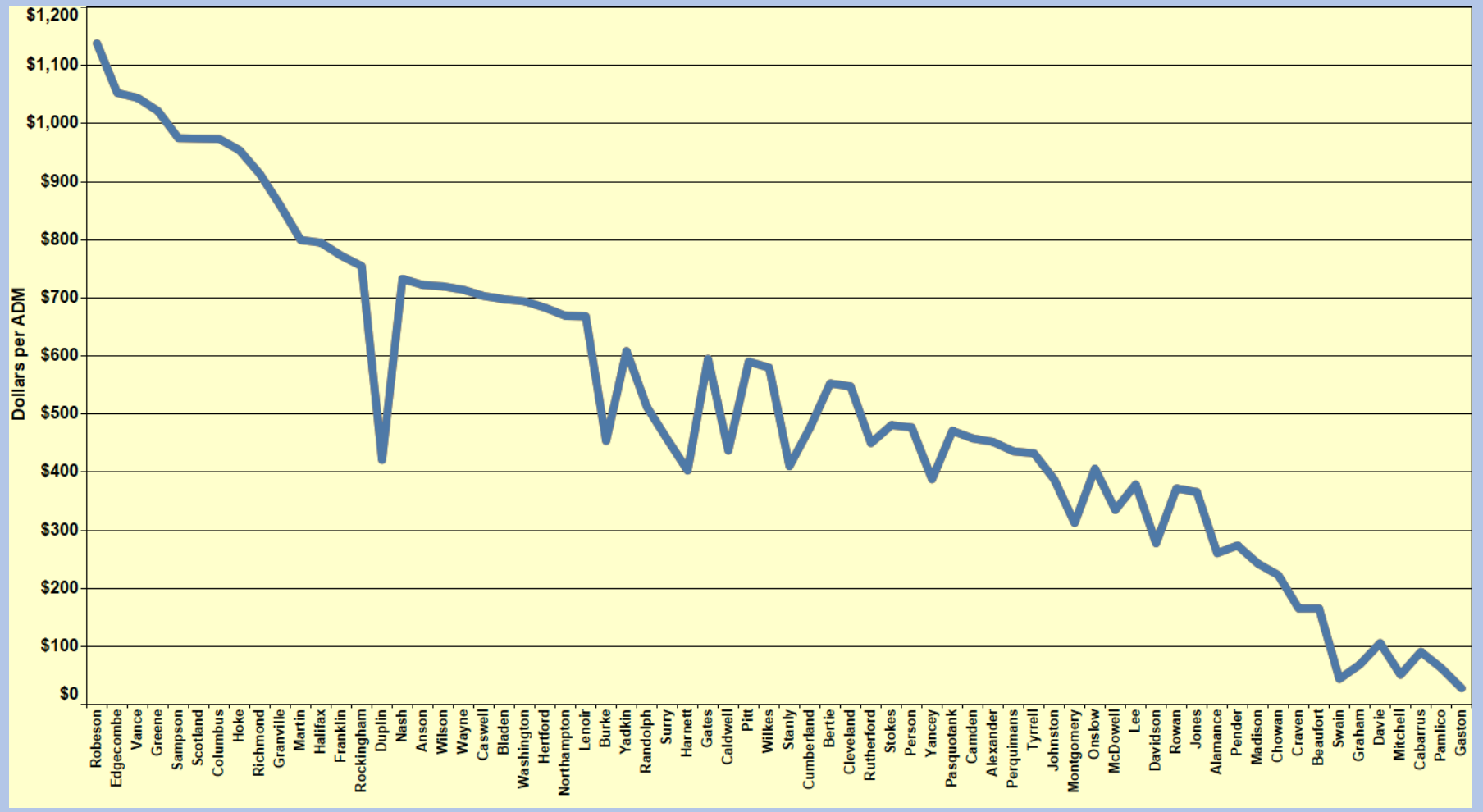
Funding helps make up the difference between what a county is able to generate from its property tax base and what the average county in the state can generate. The closer the county is to the average the less funding per student they are eligible for. Ranges $28 per student to $1,138 per student.

Formula weighs

- County Revenue- property value, sales tax (40%),
- per capita income (50%), and
- taxable property per square mile (10%)

Counties are required to meet effort and may not supplant funds

Low Wealth per ADM Allotment
78 LEAs eligible



Small County

The allotment base formulas may not generate enough funding to provide the educational programming in low population density areas.

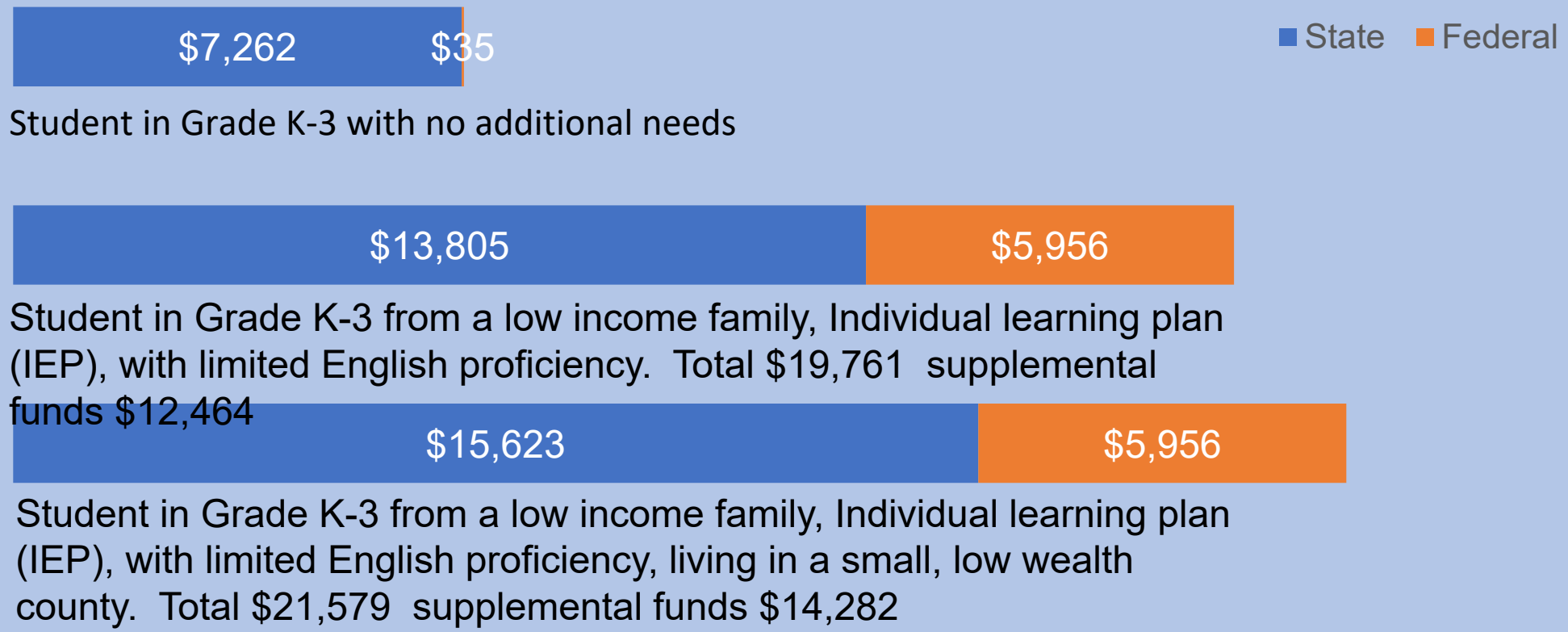
County LEAs with less than 3,300 ADM are eligible for supplemental funds to provide additional funds to meet the educational needs. The smaller the county, the higher the $ per student.

30 counties are eligible for a legislated determined amount between $490 per student and $4,174 per student.

Illustration of How Funds are Generated

Funding for Different Students	Average State	Average Federal	$12,364	$21,579	$19,761	$7,780
Every Student	*$7,262*	*$35*	X	X	X	X
Student from a Low Income Family	*$487*	*$2,488*	X	X	X	
Special Learning Issues (IEP's)	*$5,593*	*$2,298*		X	X	
Small County	*$979*		X	X		
Students Below Grade Level (Summer Camps)	*$66*			X		
Disadvantaged Student Supplemental Funding	*$340*		X	X	X	
Low Wealth County	*$773*		X	X		
Limited English Proficiency	*$123*	*$1,135*		X	X	
Intellectually and Academically Gifted	*$483*					X
Career & Technical Ed	*$972*	*$40*				

Formula Weighted Average K-3



Difference by LEA, State and Federal

Per Pupil Expenditure incl SN FY2025

Comparing 3 LEAs – State and Federal expenditures

County/ (ADM)	State	Federal	Total	Rank
Durham (30K)	7,852	1,522	9,374	91
Clay (1.3K)	11,042	1,343	12,385	30
Edgecombe (6K)	10,063	3,096	13,159	18

Difference by LEA all funds

Per Pupil Expenditure incl SN FY2025

County/ ADM	State	Federal	Total	Rank
Durham (30K)	7,852	1,522	9,374	91
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County	State	Federal	Local	Total	Rank
Durham	7,852	1,522	6,022	15,396	26
Clay	11,042	1,343	2,957	15,343	27
Edgecombe	10,063	3,096	2,182	15,340	28

Current State Funds Allocation System Other PSUs

Funding is a derivative of the LEA funding:

1. Receive the equivalent per pupil funding as the LEA in a block unrestricted grant.

- **Charters**
- **Lab Schools**
- **Regional Schools**

2. Receives funding in one block grant with full flexibilities

- **Renewal School System (Rowan Salisbury Schools only)**

Budget Flexibility

Transfers

Budget Flexibility G.S.115C-105.25

Defines allowable transfers between allotments categories to meet the educational requirements of their school district.

LEA budgetary flexibility

Flexibility of the use of State funds was designed to give LEAs the ability to meet the needs of their strategic goals in exchange for greater accountability.

Recognizes that innovation and local needs may not align 100% with the state allocation formulas

Flexibility supports the efficient use of resources and minimizes the need of technical know-how.

Flexibility with the use of funds

In recent years legislation has been passed to prohibit the transfer of the funds.

- No teacher positions may be transferred
- Other positions may be transferred but converted at the beginning step
- No transfers out of AIG, EC, LEP
- No transfers out of instructional materials or teacher assistants
- No transfers into central office,
- No transfers into or out of driver education

Summary

The current State funding formulas are generated utilizing student and LEA demographics to create a weighted pool of funds.

The LEAs are responsible for utilizing these funds to develop programs to meet the educational needs of the individual students. Approx 90% of the funds are used for personnel.

There are formulas that would benefit from being reviewed and modified.

Different funding has different restrictions, flexibilities and requirements, creating complexity.

Budget flexibility is a necessary companion to the NC funding mechanism.

Allotments and Expenditures Resources on DPI Finance website

- Highlights of the NC Public School Budget
- State Board of Education Allotment Policy
- State and Federal Allotments by Category by Public School Unit from 1997 to present
- State Expenditures by LEA by Category by Object
- Statistical Profile – Student, Personnel and Financial Data from 1975
- School Report Card – Per Student Expenditure by Fund and Purpose by School