

North Carolina

Funding Basics

Formula Type

North Carolina has a hybrid funding formula incorporating both resource-based calculations and extensive program-based allocations. It determines the cost of delivering education in a district based on the cost of the resources, such as staff salaries and course materials, required to do so. It also allocates funding for a large number of programs and services for specific categories of students. The categories of students considered in North Carolina's funding policy are students in specific grade levels, English-language learners, students in high-poverty districts, students with disabilities, students identified as gifted, students enrolled in career and technical education (CTE) programs, and students enrolled in small schools and districts.

North Carolina funds districts' formula amounts entirely with state dollars and does not expect school districts to contribute revenue to their public schools; however, county governments are expected to raise the local revenue necessary for their districts' school facilities. Districts in North Carolina are permitted to raise and keep additional local revenues for regular district operations.

Supplemental funding for students in specific grade levels, English-language learners, and students enrolled in career and technical education programs is generated through the allocation of funding for staff costs. Some additional funding for English-language learners and services for students with disabilities and students identified as gifted are provided through program-specific allocations distributed on a per-pupil basis. Additional funding for low-wealth districts, districts serving a high concentration of low-income students, and small schools and geographically isolated districts is also provided through program-specific allocations.

Base Amount

The state of North Carolina uses a resource-based funding formula and therefore does not use a base per-student amount as the basis for its funding.

Local Revenue

Expected Local Share

North Carolina does not expect districts to contribute revenue to their public schools' instructional and operational expenses. However, facilities expenses generally are the responsibility of county governments.

In calculating the amount of funding necessary to educate students within a district, the state considers only instructional and operational expenses. The state provides this entire amount in state education aid. Separate from this calculation, county governments are expected to raise all revenue necessary for their school districts' school facilities, including long-term capital investments and day-to-day maintenance costs. The amount counties must contribute is dependent only on local expenses and not on any measure of the local ability to pay.

Although facilities expenses are the primary responsibility of the county, subject to appropriation, the state may provide additional funding for capital expenses from the North Carolina Education Lottery.

Property Tax Floors and Ceilings

North Carolina does not set a floor or a ceiling for local property tax rates, or a level above which voter approval is required. However, school districts do require voter approval to trigger the imposition of a particular type of supplemental property tax.

School districts in North Carolina do not directly impose taxes, with a few exceptions. Rather, school districts are funded through county appropriations, and counties may impose property taxes for school purposes without any restrictions.

However, with voter approval, school districts may also direct counties to impose an additional property tax beyond what the county has imposed under its own authority. School districts may petition the county to hold a voter referendum on imposing a supplemental property tax, dedicated to schools, of up to $5.00 for every $1,000 of assessed local property wealth.

Other Local Taxes for Education

School districts in North Carolina may receive local revenue from property taxes, sales and use taxes, and utility taxes.

School districts in North Carolina do not directly impose taxes, with a few exceptions. School districts typically draw their local funding from county appropriations, which may be raised through county property, sales, and utility taxes. A portion of county sales and use taxes may be designated for public school capital projects.

Though school districts in North Carolina do not typically directly impose taxes, they have the authority to impose a supplemental property tax with voter approval. In addition, the state authorized a number of counties to impose special taxing districts to support education, and two school districts impose property taxes under legislation specific to those districts. Districts that impose property taxes are eligible to receive a share of revenue from sales taxes imposed by the county.

Student Characteristics

Grade Level

North Carolina provides different levels of funding for students in different grade levels. It does so through the resource-based aspect of its formula by specifying different student-to-teacher ratios for seven different grade spans and funding teacher positions accordingly.

The state assigns a student-to-teacher ratio of 18 to 1 for kindergarten; 16 to 1 for grade 1; 17 to 1 for grades 2-3; 24 to 1 for grades 4-6; 23 to 1 for grades 7-8; 26.5 to 1 for grade 9; and 29 to 1 for grades 10-12. The state also assigns a ratio of 191 to 1 for arts, language, and enrichment teachers in grades K-5. These ratios determine the number of teaching units to which a district is entitled. The state provides funding for these teachers in accordance with the state salary schedule.

The state also provides certain program-based allocations only for students in certain grade levels. For example, North Carolina provides funding for summer reading camps for students in grades 1-3 of up to $825 per student deemed not proficient in reading.

English-Language Learner

North Carolina provides increased funding for English-language learners. It does so through the resource-based aspect of its formula, by providing funding for English-language learner staff positions, and through the program-based aspect of its formula, by an allocation based on the number and concentration of English-language learners in the district.

The state automatically provides each school district with the dollar-value equivalent of one English-language learner teacher assistant position. Other distributions are based on the three-year weighted average count of English-language learners in the district, in which the data from the most recent available year are weighted at 50% and the data from the prior two years are each weighted at 25%. Half of the funds appropriated for this purpose are distributed based on this count, and half are distributed based on the concentration of English-language learner students in the district.

To be eligible for the student-based distribution, school districts must have at least 20 English-language learners, or English-language learners must make up at least 2.5% of the district's enrollment. No more than 10.6% of enrollment may be included in the English-language learner count for funding purposes. This funding may be spent on the staff salaries, classroom materials and equipment, and staff professional development needed to serve English-language learners.

Poverty

North Carolina does not provide increased funding for individual students from low-income households. However, the state does provide increased funding for districts based on the concentrations of low-income students they serve. It does so in the form of two allocations: one that is intended to improve districts' capacity to serve low-income students, and one intended to support districts with lower than average ability to raise local revenues for education (for more information, see "Concentrated Poverty").

Separately, North Carolina provides increased funds to districts to identify students likely to drop out, ensure access to school safety officers in high schools, and provide special alternative instructional programs. Half of the funds school districts do not spend for these purposes must be distributed to schools based on the number of students enrolled in the school eligible for free or reduced-price lunch under the National School Lunch Program.

Special Education

North Carolina funds special education using a single student weight system: It provides the same amount of state funding for each student with disabilities, regardless of the severity of those disabilities. It does so in the form of a flat allocation in the amount of $4,549.88 in FY2021 for each student with disabilities.

North Carolina school districts receive funding based on the number of students with disabilities they serve or 12.75% of district enrollment, whichever is less. The state also provides funding equal to the average salary of a teacher plus benefits, which is distributed to districts based on their number of children with disabilities in pre-K-5.

The remainder of state special education funding is distributed through specific program-based allocations, including funding for group homes and other out-of-district placements, developmental day centers, community residential centers, behavioral support grants, and support for districts serving children with extraordinary needs who transfer into those districts after other funds have been allocated. There is a separate Disabilities Grant Program, created by the state but not administered by the state department of education, that provides scholarships of up to $8,000 to students with disabilities who attend private schools.

Gifted

North Carolina provides increased funding to schools for gifted and talented students. It does so through a flat per-student allocation that is provided for a set proportion of students assumed to be gifted and talented.

North Carolina assumes that gifted students make up 4% of the overall population in schools. To fund gifted and talented education, the state provides a flat per-student allocation, which equaled $1,364.78 in FY2021, for that proportion of students.

Career and Technical Education

North Carolina provides increased funding for career and technical education (CTE) programs. It does so through the resource-based aspect of its formula, by allocating funding for the salaries of CTE teachers, and through a program-based allocation.

The state guarantees each school district funding for five full-time-equivalent CTE teachers; the state covers the full salary of the CTE teachers hired in accordance with the state salary schedule. The state distributes any remaining CTE funds to districts based on their student enrollment in grades 8-12. The state also provides CTE program funding, which is intended to help districts develop, expand, or improve CTE programs. Since FY2019, the state legislature has made available competitive grants of up to $1,000,000 for districts to expand access to CTE programs to students in grades 6-7.

CTE Program Support Funding is distributed first at a flat rate of $10,000 per district, with any remaining funding in the state appropriation distributed to districts based on their student enrollment in grades 8-12.

District Characteristics

Concentrated Poverty

North Carolina provides increased funding for districts based on the concentrations of students from low-income households that they serve. It does so in the form of two allocations: one that is intended to improve districts' capacity to serve low-income students and one intended to support districts with lower than average ability to raise local revenues for education.

For both allocations, the state uses a measure of wealth based on the district's anticipated property tax revenue, tax base per square mile, and average per capita income. The first allocation is designed to allow school districts to reduce class size in low-wealth districts. The second provides revenue to supplement districts' local receipts with the amount required to bring that district up to the statewide average level of local revenue per student. Both allocations must supplement, rather than supplant, local funds and are limited to particular uses.

Sparsity and/or Small Size

North Carolina provides increased funding for small school districts. It does so through a formula that provides additional funding for teacher salaries and a tiered allocation for eligible school districts.

School districts with fewer than 3,300 students are eligible to receive an allocation of at least $1,548,000; this amount can rise as high as $1,710,000 for districts with fewer than 600 students. If a school district experiences enrollment growth and becomes ineligible for this allotment, funding will be phased out over a five-year period. School districts are encouraged to use at least 20% of these funds for improving student academic performance in either reading or math.

Small school districts with fewer than 110 students and geographically isolated school districts in North Carolina receive supplement funding in an amount equivalent to the average teacher salary to afford additional regular teachers.

Charter Funding

Funding for charter schools in North Carolina is calculated based on local school district revenues.

Charter schools receive from the state the average per-student formula amount in the school district where the charter is located. Charter schools also receive state funding that reflects any additional funding generated by students in some special need categories, including students with disabilities and English-language learners.

Charter schools in North Carolina receive a share of local tax revenue. Charter schools receive a per-student share of appropriations from county property taxes and any supplemental taxes levied on behalf of the school district.

For a complete list of primary sources, please see the appropriate state page at funded.edbuild.org