



Counties

Budgeting for Schools and Human Services

Paige Worsham, NCACC Associate General Counsel

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The Plan

- Budgeting for Schools & School Funding
- County Funding Process
- NCACC Legislative Goals
- Budgeting for Human Services



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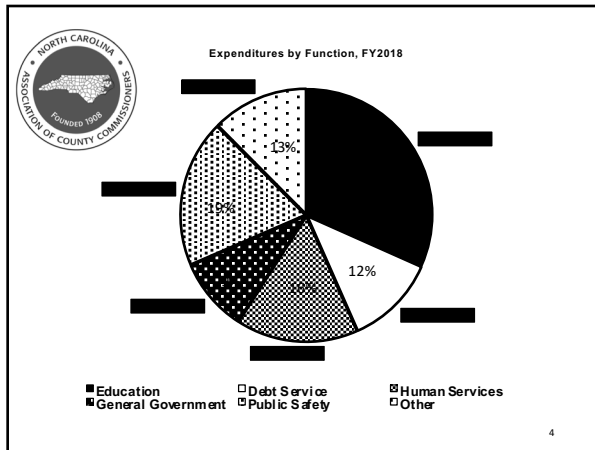
School Funding



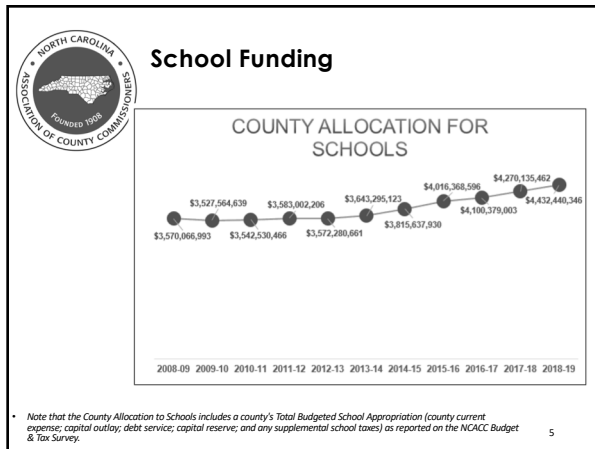
- How much funding does your county appropriate to schools?
- What percentage of your county's budget goes toward education?

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School Funding

- The county board of commissioners determines how much funding to provide to the local school system(s) each year for capital and operating expenses?

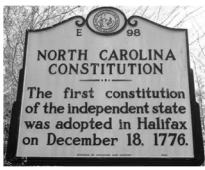
1. True
2. False
3. Sort of ✓

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School Funding



- **Constitutional Provisions**
- The General Assembly shall provide by taxation and otherwise for a general and uniform system of free public schools, which shall be maintained at least nine months in every year, and wherein equal opportunities shall be provided for all students. N.C. Const. art. IX § 2(1)
- 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. N.C. Const. art. IX § 2(2)

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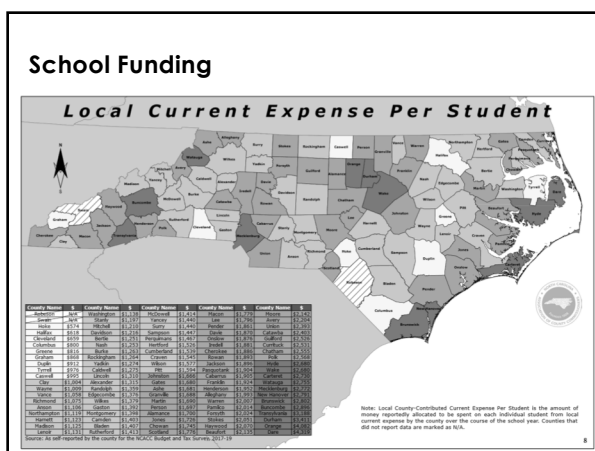
Landmark Case: *Leandro v. State of North Carolina*



- **1994:** Parents, students, and school districts from five counties filed a lawsuit against the state
 - Complaint: Students are denied their constitutional right to equal education due to a lack of school funding
- **1997:** N.C. Supreme Court issues decision:
 - The state constitution provides the opportunity to receive a sound basic education in our public schools.
 - However, school districts or counties do not have a constitutional right to equal funding
 - Court defined a "sound basic education" as:
 - (1) sufficient ability to read, write, and speak the English language and a sufficient knowledge of fundamental mathematics and physical science to enable the student to function in a complex and rapidly changing society;
 - (2) sufficient fundamental knowledge of geography, history, and basic economic and political systems to enable the student to make informed choices with regard to issues that affect the student personally or affect the student's community, state, and nation;
 - (3) sufficient academic and vocational skills to enable the student to successfully engage in post-secondary education or vocational training; and
 - (4) sufficient academic and vocational skills to enable the student to compete on an equal basis with others in further formal education or gainful employment in contemporary society

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Local Board of Education

- Governs local school admin unit
- Hires, fires, supervises school employees
- Sets education policy within state guidelines
- Preserves school unit's assets and manages school budget
- Informs county commissioners of school unit's needs

County Commissioners

- Appropriates \$
- Approves certain school board contracts
- May set school board members' salaries
- Conducts special school referendums
- Approves expenditures for school sites
- Constructs school facilities

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School Funding

Statement by the North Carolina Association of County Commissioners

Statement by the North Carolina Association of County Commissioners to the Committee for the Study of Public School Finance

The North Carolina Association of County Commissioners has been asked to prepare a statement on the following questions:

(1) How do the Association feel that current school finance is being handled?

(2) How do the Association feel that current school finance is being handled?

(3) How do the Association feel that current school finance is being handled?

"Current expense has been largely a state responsibility.... Capital outlay has been largely a county responsibility...."

"One thing is crystal clear: school construction needs impose a tremendous burden on all counties."

"In our opinion, current expense funds provided by the state are inadequate in several respects."

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School Funding

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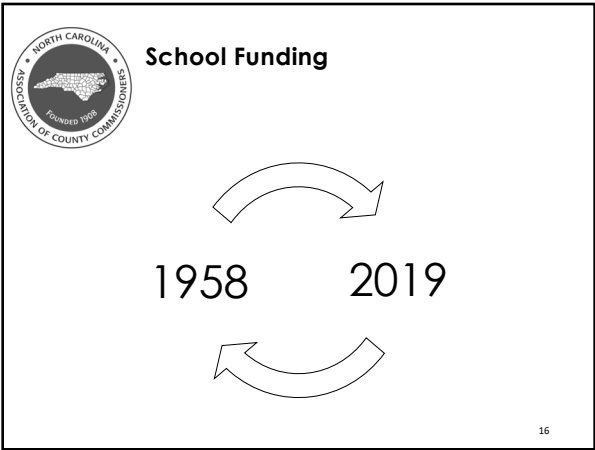
County Yearbook



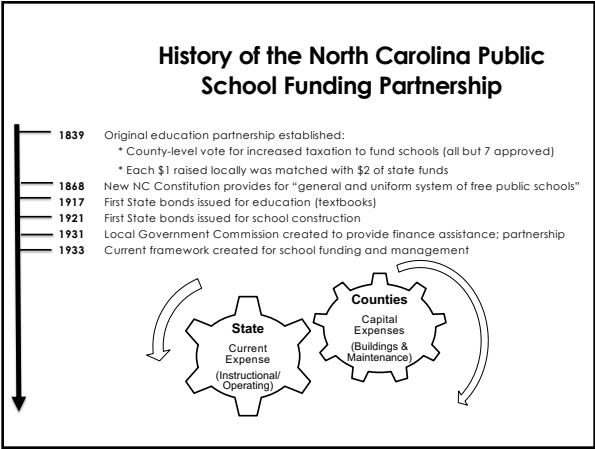
**North Carolina Association
of
County Commissioners**

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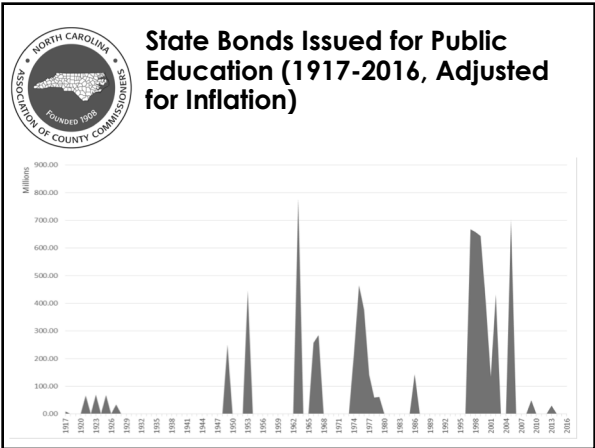
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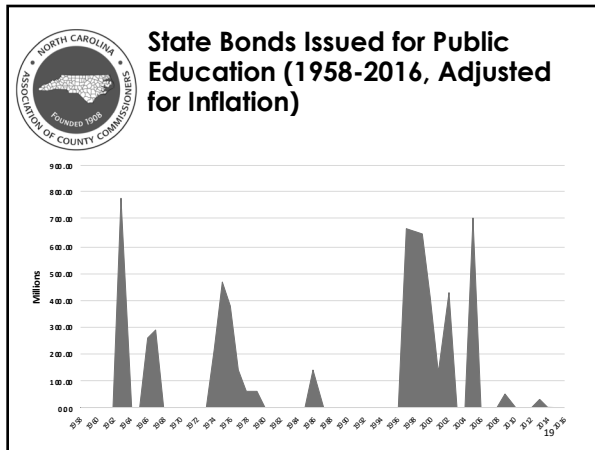
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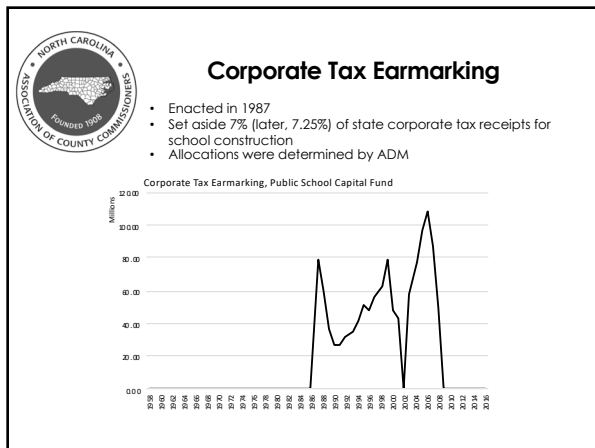
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School Funding

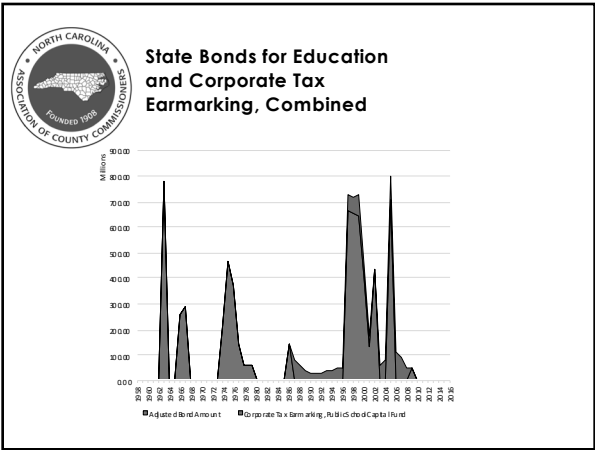
- NC passed bonds to fund school capital in **1949, 1953, 1963, 1973, 1986, and 1996**
- In 1987, the State enacted the School Facilities Finance Act:
 - Established the **Public School Building Capital Fund** -- funded through corporate income tax rate increase from 6% to 7% (later, 7.25%)
 - 2013 Tax Reform changes eliminated PSBCF corporate income tax funding

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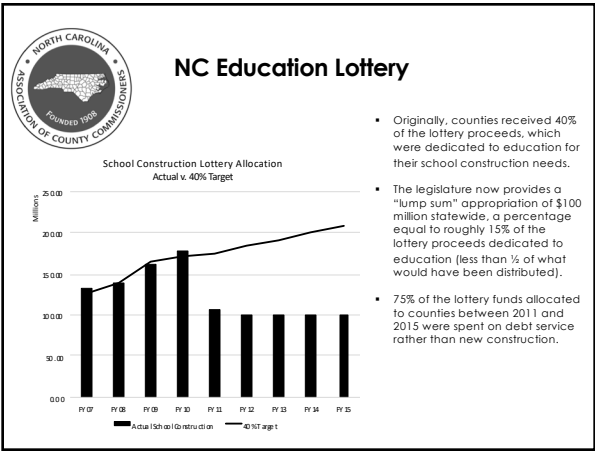
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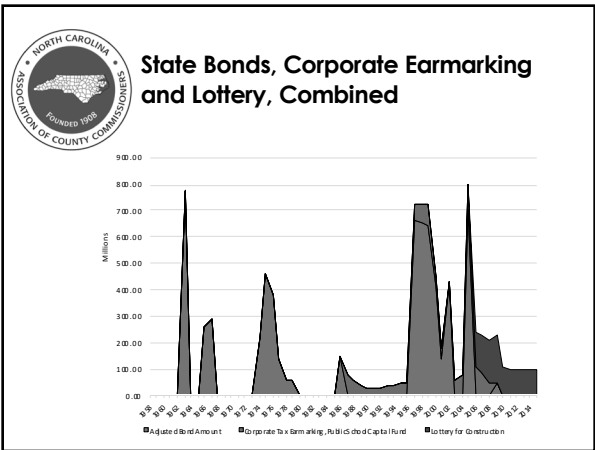
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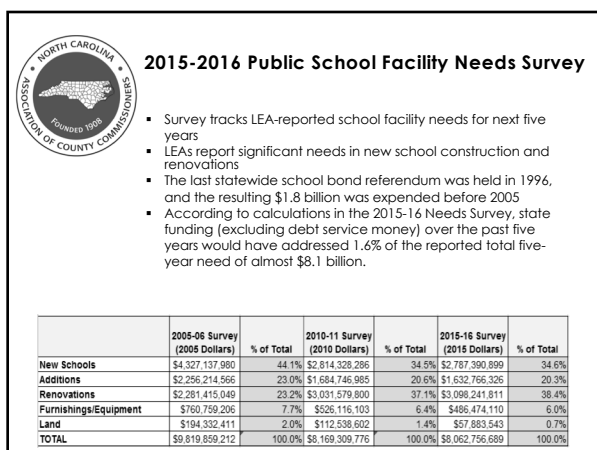
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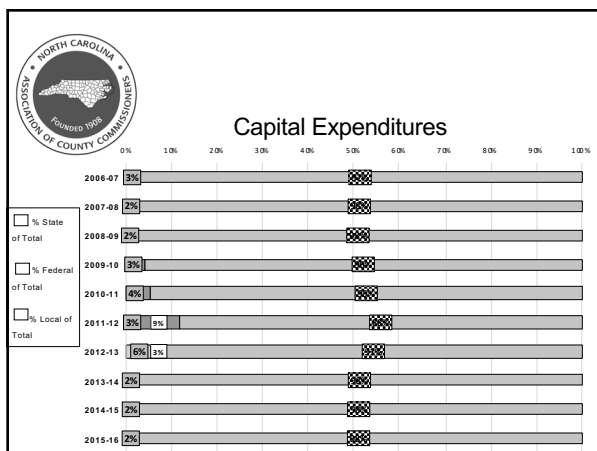
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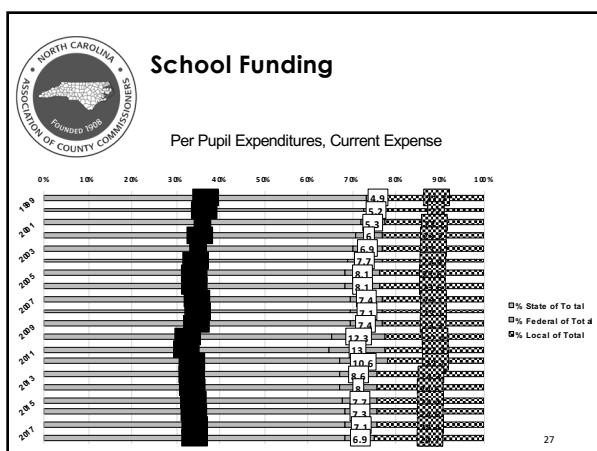
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School Funding



The funding responsibility is divided between state and county governments.

- **Generally**, the state is responsible for operating expenses and counties are responsible for capital expenses. However, states provide some capital funds and counties supplement operating expenses.

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County Funding Process



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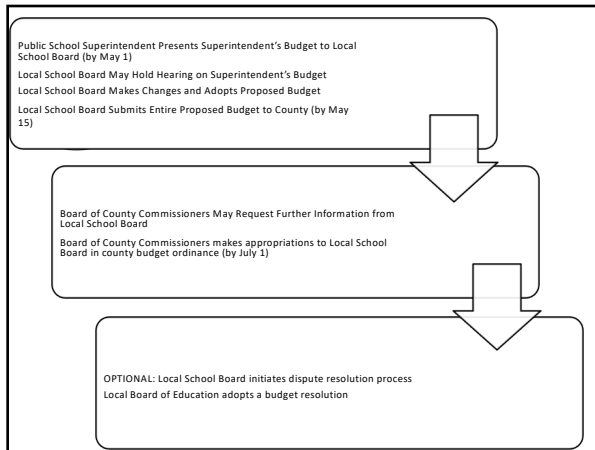
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FEDERAL	COUNTY	STATE
• Title I • IDEA • Child Nutrition • Other	• County Property Tax Appropriations • County Debt Service • County Sales Tax Allocation • County Direct Expenditures • Fines, Penalties, Forfeitures • Voted Supplemental Tax • Other Local Revenues • *Municipal Money = New	• State Position Allotments (ADM) • State Dollar Allotments (ADM) • State Targeted Allotments • Lottery ADM • Lottery Targeted

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County Funding Process



Required Funds for Local School Administrative Units

1. **The State Public School Fund**
 - Appropriations for current operating expenses from moneys made available to local school administrative unit by the State Board of Education
2. **The Local Current Expense Fund**
 - Includes appropriations sufficient, when added to appropriations from the State Public School Fund, for the 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**.

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County Funding Process



Required Funds for Local School Administrative Units

1. **The Capital Outlay Fund**
 - Includes appropriations for:
 - (1) Real property for school purposes
 - (2) The acquisition, construction, reconstruction, enlargement, renovation, or replacement of buildings and other structures
 - (3) The acquisition or replacement of furniture and equipment
 - (4) The acquisition of school buses
 - (5) The acquisition of activity buses and other motor vehicles.
 - (6) Other objects of expenditure that are assigned to capital outlay fund

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Local Current Expense Fund



Includes:

- Revenues accruing to the local school administrative unit by virtue of Article IX, Sec. 7 of the Constitution,
- **moneys made available to the local school administrative unit by 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,
- State money disbursed directly to the local school administrative unit, and
- *other moneys made available or accruing to the local school administrative unit for the current operating expenses of the public school system.*
(emphasis added)

**County Board may consider the local school administrative unit's fund balance when making appropriations for current expenses*

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Capital Outlay Fund



Includes:

- Revenues made available for capital outlay purposes by the State Board of Education and the **board of county commissioners,**
- supplemental school district taxes,
- the proceeds of the sale of capital assets,
- the proceeds of claims against fire and casualty insurance policies,
- and other sources.

"No contract for the purchase of a site shall be executed nor any funds expended therefor without the approval of the board of county commissioners as to the amount to be spent for the site"

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Communication Between Board of County Commissioners and Boards of Education

In Budget Process:

§ 115C-426.2:

- Boards are "strongly encouraged" to hold periodic joint meetings during the 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."



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Communication Between Board of County Commissioners and Boards of Education



In Budget Process:

§ 115C-429:

- Board of education submits budget to the board of county commissioners not later than May 15, or later date if fixed by Board of Commissioners
- Board of Commissioners completes action by July 1, or later agreed-upon date.
- The **board of county commissioners** may, in its discretion, allocate part or all of its appropriation by purpose or function

➤ "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."

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Multiple Local School Administrative Units

§ 115C-430

- For counties with more than one local school administrative unit, all county appropriations to local current expense funds (except supplemental tax funds) are apportioned based on ADM
- There is no uniform appropriation requirement for capital outlay funds

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County Funding Process



Dispute Resolution Process

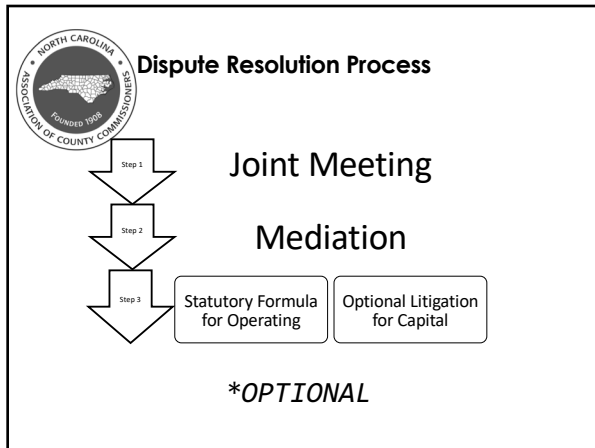
disagrees with BOCC's appropriation?



A school board may challenge a county's appropriation of capital outlay funds or operational funds, or both, if it feels the amount appropriated is "not sufficient to support a system of free public schools."

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Default Formula < 2 Years in a Row	Default Formula In 3 rd Year in a Row
- Amount of county local current expense appropriation actually spent in prior year - Divide by prior year ADM - Multiply by inflationary factor - Multiply by budget year in dispute ADM	- Amount of county local current expense appropriation actually spent in prior year - Divide by prior year ADM - Multiply by higher inflationary factor - Multiply by budget year in dispute ADM

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County Funding Process



§ 115C-432

- The school board's budget resolution must conform to the county board's allocation if the county board appropriated by purpose or function under G.S. 115C-429(b) (Purpose or Function)
- Otherwise, the school board has discretion over the local current expense fund if the county board provides no direction.

Purpose Codes

- For budgeting and accounting purposes, expenditures of a local school administrative unit are classified into five purposes

Function Codes

- Second level of code

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County Funding Process



§ 115C-433

If the **board of county commissioners** allocates part or all of its appropriations by purpose or function.....

Then, the board of education must obtain board of commissioners' approval for an amendment to the budget that increases or decreases the amount of county appropriation allocated to a purpose or function by twenty-five percent (25%*) or more

- Board of commissioners may allow a lesser percentage of not less than 10%
- *About 13 counties report allocating by Purpose or Function

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County Funding Process



Appropriating Capital Funds:

A county board may appropriate moneys for Category I expenditures for a specific capital project or projects. Moneys appropriated for Categories II and III expenditures, however, are allocated to the entire category, not to individual expenditure items.

Category I - Acquisition of real property and acquisition, construction, reconstruction, enlargement, renovation or replacement of buildings and other structures for school purposes.

Category II - Acquisition or replacement of furnishings and equipment.

Category III - Acquisition of school buses, activity buses, and other motor vehicles.

If the board of commissioners allocates all or part of capital funding by project, the school board must get approval to change specific Category I expenditures. The school board has full discretion to reallocate funds within Categories II & III.

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County Funding Process



- 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, in **emergency situations**.
- Board of commissioners must act on school board's request within 30 days

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Capital Funding Mandate

- _____ G.S. 115C-521: school facilities, furniture and apparatus
- _____ G.S. 115C-249: buildings for bus and vehicle storage
- _____ G.S. 115C-522(c): library, science, and classroom equipment
- _____ G.S. 115C-522(c): water supply and sanitary facilities
- _____ G.S. 115C-524(b): keeping school buildings in good repair
- _____ G.S. 115C-524: school maintenance and repairs
- _____ G.S. 115C-522(c): instructional supplies and reference books
- _____ G.S. 115C-534: school property insurance
- _____ G.S. 115C-525(b): fire inspections
- _____ G.S. 115C-431: anything else needed to meet constitutional minimum standard

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School Funding Formula/Agreement

- About 1/3 of counties report using
- Examples include percentage of sales tax; percentage of tax base; ADM plus cost index

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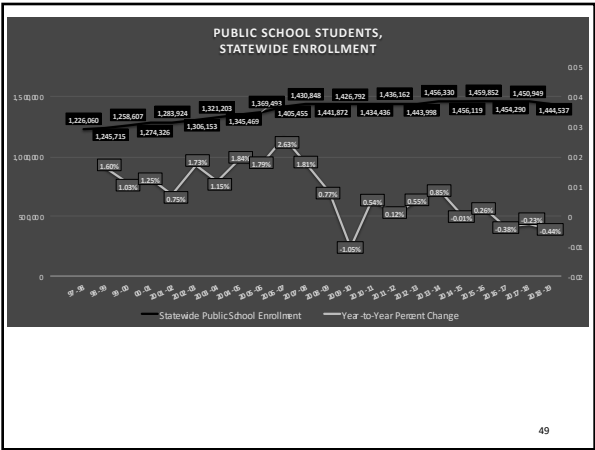


Community Colleges

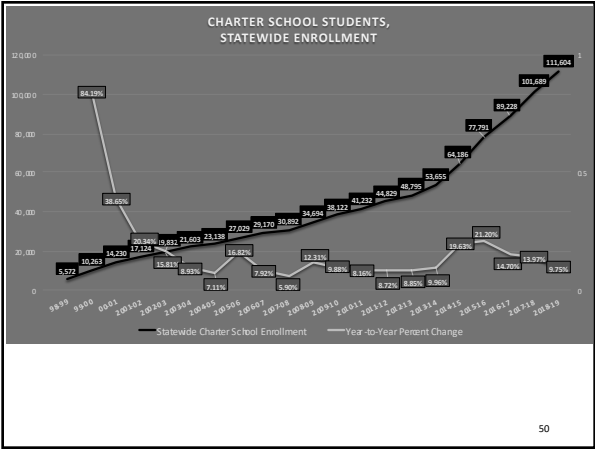


- Responsible for funding
 - "Acquisition of land; erection of all buildings; alterations and additions to buildings; purchase of automobiles, buses, trucks, and other motor vehicles; purchase or rental of all equipment necessary for the maintenance of buildings and grounds and operation of plants; and purchase of all furniture and equipment not provided for administrative and instructional purpose"
- Some supporting and service funding

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NCACC Legislative Goals

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NCACC Priority Legislative Goals for 2019-20 Session



- **2) School Capital**
- Seek additional revenue sources, including a statewide bond and lottery proceeds, to equitably address statewide public school and community college capital challenges.

House Bill 241 - \$1.9 billion education bond

- \$1.5B for public schools with \$10 million minimum county distribution
- \$200M for community colleges
- Passed House early in session

• **Senate Bill 5 & Senate Budget - State Capital and Infrastructure Fund**

- SCIF created in 2017 budget; Senate budget authorizes the allocation of \$1.67 billion to LEAs over 10 years for new construction, repairs/renovations; no debt service for LEAs
- Priority to applicants with greatest need and projects determined by DPI; Must be used for K-3 class sizes if not in compliance
- Match required from Tier Three counties for new construction

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NCACC Priority Legislative Goals for 2019-20 Session



- **5) School Capital Lawsuits**
- Seek legislation to repeal the statutory authority under N.C. Gen. Stat. 115C-431(c) that allows a local school board to file suit against a county board of commissioners over appropriations to the local board of education's capital outlay fund.

- H1031 workgroup convened at direction of legislature; recommended required quarterly meetings for county and school system staff; no consensus recommendation on alternative to litigation
- HB 850 repeals authority; did not pass crossover
- Senate budget included provision repealing authority; removed in Conference report

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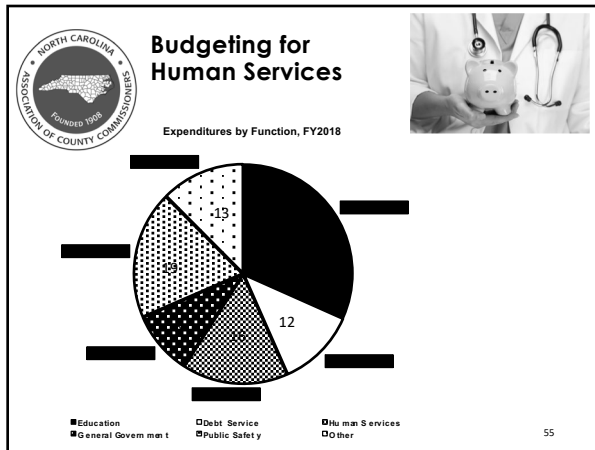


Conference Budget



- **SCIF**
 - Intent to allocate \$1.5B over ten years for LEAs and \$400M for community colleges
 - Budget provision estimates amounts of K-12 projects from SCIF Fund at: \$281M (2019-20); \$172.5M (2020-21); \$53.8M (2021-22); \$101.5M (2022-23); \$96M (2023-24); \$125.7M (2024-25)
 - School board and BOCC submit spending plan and DPI administers SCIF funds based on its priority list "according to greatest need and the ability for disbursed funds to be expended and projects completed expeditiously"
 - SCIF funds cannot be used to retire debt authorized before July 1, 2019
 - Tier 3 counties match 1:1 for new construction
- **Lottery**
 - \$100 million each year for Public School Building Capital Fund
 - \$67 million in 2019-20 and \$81 million in 2020-21 for Needs-Based Public School Capital Fund

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Budgeting for Human Services

- A county must provide funding for:
 - ⇒ Mental Health
 - ⇒ Public Health
 - ⇒ Social Services

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Budgeting for Human Services

A county must provide funding for:

- **Mental Health**
 - "A county shall provide mental health, development disabilities, and substance abuse services ...through an area authority."
 - "Counties shall...appropriate funds for the support of programs that serve the catchment area"

Local Management Entities/Managed Care Organizations
July 2019

- Yoga Health
- Partners Behavioral Health Management
- Cardinal Innovations Healthcare Solutions
- Seabreeze Center
- Alliance Health
- Seagraves
- Trillium Health Resources

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Budgeting for Human Services

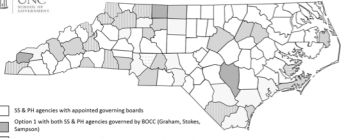


A county must provide funding for:

- Public Health**
 - A county shall provide public health services"
 - 84 local health departments
 - Variety of governance structures → County health department; consolidated human services agency; district health department

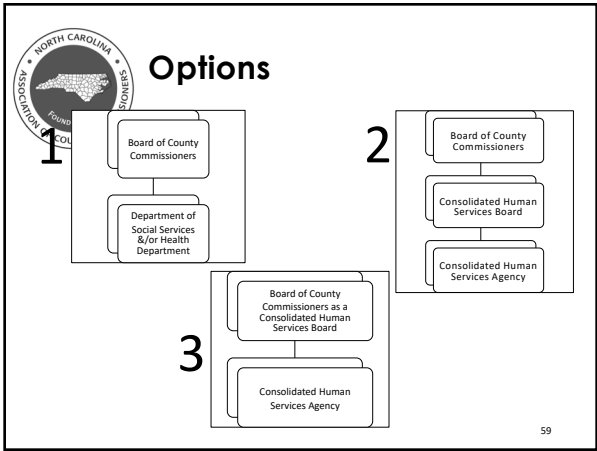
PH and SS Organization and Governance

Resolutions as of July 2019



- SS & PH agencies with appointed governing boards
- Option 1 with both SS & PH agencies governed by BOCC (Graham, Stokes, Sampson)
- Option 1 with SS agency governed by BOCC, PH agency with appointed governing board (Cherokee, Ashe, McDowell, Cleveland, Mitchell, Wayne, Wilkes, Surry, Columbus)
- Option 1 with PH agency governed by BOCC, SS agency with appointed governing board (Pamlico)
- Option 2 with consolidated HH agency including SS & PH, appointed OHS board (Haywood, Buncombe, Polk, Gaston, Davie, Union, Forsyth, Stanly, Rockingham, Wake, Nash, Edgecombe, Carteret, Dare, New Hanover)
- Option 3 with consolidated HH agency including SS & PH, governed by BOCC, health advisory committee (Catawba, Swain, Alexander, Yadon, Mecklenburg (no advisory comm.), Guilford, Montgomery, Richmond, Bladen, Brunswick, Perdue, Onslow)
- Option 3 with consolidated HH agency including SS & other human services but not PH, governed by BOCC (Catawba)

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Budgeting for Human Services



A county must provide funding for:

- Social Services**
 - County is required to fund the bulk of the nonfederal share of administrative costs as well as a significant portion of the cost of social services provided to county residents
 - FY2019-20 Determination of State/County Financial Participation: County Estimate = \$473 million

PH and SS Organization and Governance

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Changes....



Regional Departments?

- HB 630 – Family and Child Protection and Accountability Act
 - Effective Mar. 1, 2019, authorized county boards to create regional social services departments to incorporate all or a portion of programs and services; separate regional authorities and county financial contribution determined by Social Services Commissioner
 - Starting in 2018-19, requires counties to enter into annual written agreement with NC DHHS for social services programs other than medical assistance. Agreement authorizes DHHS to withhold state and federal funds if the county fails to comply
 - Regionalization not required

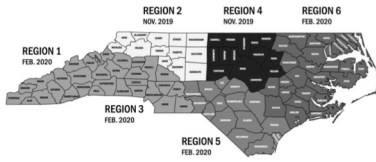
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2020

NC Medicaid Managed Care Regions and Rollout Dates



REGION 1: FEB. 2020
 REGION 2: NOV. 2019
 REGION 3: FEB. 2020
 REGION 4: NOV. 2019
 REGION 5: FEB. 2020
 REGION 6: FEB. 2020

Rollout Phase 1: Nov. 2019 – Regions 2 and 4
 Rollout Phase 2: Feb. 2020 – Regions 1, 3, 5 and 6

2019/02/04

Transition to Medicaid Managed Care delayed to Feb. 1, 2020 for Entire State

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Social Services and Public Health Legal Structures

Structure	Governing Board	Budget Approval/ Oversight	Final Mgmt
County Health Department	County Board of Health	County Commissioners	County Finance Officer
	County Commissioners	County Commissioners	County Finance Officer
County Social Services Department	Social Services Board	County Commissioners (recommended by SS Board)	County Finance Officer
	County Commissioners	County Commissioners	County Finance Officer
Consolidated Human Services Agency	Consolidated Human Services Board	County Commissioners (recommended by CHS Board)	County Finance Officer
	County Commissioners	County Commissioners	County Finance Officer
District Health Department	District Board	District Board	District Finance Officer
Public Health Authority	Authority Board	Authority Board	Authority Finance Officer
Multi-county Area Authority for WIC/SD/SA	Authority Board	Authority Board	Authority Finance Officer
Public Health/SA Authority	Authority Board	Authority Board	Authority Finance Officer

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Thank you
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