



# Local School Funding Structure Issue Brief

## **Issue Overview**

On the State level, DPI allocates per-pupil education funding directly to LEAs and charter schools on the same day. On the local level, the county transfers the entire allotment to the LEA, then the LEA “writes a check” to each charter school for the students from that district who are enrolled in the charter. The bottom line is that LEAs do not like transferring money received from the county to charter schools, and many charter school advocates have claimed that LEAs have withheld funds and/or have paid late.

## **NCSBA Position**

NCSBA believes that LEAs and charter schools should both receive their percentage of per-pupil local tax dollars directly from county commissioners. This proposed change mirrors the structure that counties with multiple school districts currently use to distribute local funds. We believe that this new method could work if guardrails are in place, such as requiring a LEA to certify that a charter school student is from its district.

Revising how local education dollars are distributed will create efficiency, reduce financial friction between school districts and charter schools, and eliminate the middleman (LEAs). This proposed change would also ensure that charter schools receive their appropriate percentage of local per-pupil tax dollars on time.

## **Issue Background**

In 1996, North Carolina passed legislation to authorize charter schools in the State. Charter schools are publicly funded schools that are governed by private, non-profit boards. They operate independently of local school districts. Reasons for establishing charter schools in the State include improving student learning, increasing learning opportunities for all students, and encouraging the use of innovative teaching methods in a less regulated environment.<sup>1</sup> The initial intent was for charter schools to collaborate with traditional public schools by sharing best practices and success stories, but unfortunately that never materialized.

In 2011, the General Assembly removed the cap of 100 charter schools in North Carolina.<sup>2</sup> Since then, the number of charter schools has nearly doubled, with 206 charter schools<sup>3</sup> serving over 130,000 students statewide.<sup>4</sup> Charter and traditional public schools have become more like competitors rather than collaborators. The current local funding structure has resulted in lawsuits and controversial legislation, which have only made matters worse.

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<sup>1</sup> S.L. 1995-731

<sup>2</sup> S.L. 2011-164

<sup>3</sup> Educational Directory and Demographical Information Exchange, North Carolina Department of Public Instruction (accessed December 9, 2022)

<sup>4</sup> “Twenty Charter Schools Seek Approval to Open in Either 2023 or 2024,” North Carolina Department of Public Instruction, May 23, 2022.