AGREEMENT REGARDING LOCAL EDUCATION FUNDING FOR FISCAL YEAR 2026-2027

THIS AGREEMENT is entered into this 21st day of July, 2026, by and between the Alamance County Board of Commissioners (hereinafter the "County") and the Alamance-Burlington Board of Education (hereinafter the "School Board").

WHEREAS, pursuant to N.C. Gen. Stat. § 115C-429, the School Board submitted a budget request for the Alamance-Burlington School System (hereinafter "ABSS") to the County for the 2026-2027 fiscal year;

WHEREAS, the County adopted its annual budget ordinance on June 15, 2026;

WHEREAS, the School Board timely expressed disagreement with the County's appropriations to ABSS's local current expense and capital funds under N.C. Gen. Stat. § 115C-431;

WHEREAS, N.C. Gen. Stat. § 115C-431 provides that in the event of such a dispute, the chairpersons of the two boards shall arrange a joint meeting within seven days of the adoption of the county budget ordinance, with a mediator appointed to preside over the meeting;

WHEREAS, the parties jointly met publicly to resolve their dispute on June 22, 2026, followed promptly by a mediation which resulted in an impasse as to the amount of funds to be allocated to ABSS fiscal year 2026-2027 current expense funding, and the mediation was held open regarding the amount of funds to be allotted to ABSS fiscal year 2026-2027 capital outlay funding;

WHEREAS, the parties wish to resolve their disagreement as to ABSS fiscal year 2026-2027 capital funding cooperatively and without further mediation or litigation;

WHEREAS, the parties seek to formalize an agreement regarding funding levels for the 2026-2027 fiscal year and release any remaining claims arising under the dispute resolution process outlined in N.C. Gen. Stat. § 115C-431; and

WHEREAS, beginning with the 2027-2028 fiscal year, the parties desire to establish a prospective methodology for calculating the minimum county appropriation to the local current expense fund under N.C. Gen. Stat. § 115C-431(b1) and, if applicable, § 115C-431(b2);

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth herein, the parties agree as follows:

1. Definitions

For purposes of this Agreement:

A. "NCDPI" means the North Carolina Department of Public Instruction, or any successor State agency responsible for collecting, calculating, publishing, or administering the applicable public-school enrollment or allotment data.

B. "Published Data." Except as otherwise expressly provided in Sections 2 and 6 of this Agreement, a data input shall be the version, a data input shall be the version of the applicable NCDPI report publicly available on the date the County adopts its annual budget ordinance. A subsequent correction, revision, replacement, renaming, or successor publication by NCDPI shall not alter a calculation already completed for that fiscal year, but shall govern future calculations to the extent it contains substantially the same data. If NCDPI ceases to publish a data input required by this Agreement, or if a successor publication does not contain substantially the same data, the parties shall use the most recent available NCDPI public data containing substantially comparable information; if no such public data exists, the parties shall confer in good faith to identify an objectively verifiable successor source.

C. "ADM" means ABSS's Average Daily Membership for the applicable school year, as reported by NCDPI in its official publicly available Average Daily Membership and Enrollment Reports or successor public reporting. Unless this Agreement expressly refers to Allotted ADM, "ADM" means actual Average Daily Membership and not Allotted ADM, projected ADM, or planning ADM.

D. "Allotted ADM" means ABSS's allotted Average Daily Membership for the applicable fiscal year, as determined and published by NCDPI in its official State Estimated (Planning) Allotment materials or successor public reporting. Allotted ADM shall be the higher of ABSS's actual Average Daily Membership for Month 1 or Month 2 of the school year immediately preceding the applicable fiscal year.

E. "A3 Charter School Membership" means the official NCDPI "A3. Charter School Membership" figure attributed to ABSS in NCDPI's School Business Data Analytics and Reporting Tool ("DART") or any successor public NCDPI report containing substantially the same LEA-attributed charter-school membership data.

F. "Prior-Year A3 Charter School Membership" means the A3 Charter School Membership figure attributed to ABSS for the school year preceding the prior school year.

G. "Budget-Year A3 Charter School Membership" means the A3 Charter School Membership figure attributed to ABSS for the prior school year.

H. "Employment Cost Index" means the twelve-month percentage change in the non-seasonally adjusted Employment Cost Index for total compensation for private-industry workers in elementary and secondary schools, as published by the United States Bureau of Labor Statistics, or any successor series measuring substantially the same data.

2. 2026-27 Current Expense Fund Appropriation

The County has appropriated $58,763,376 to ABSS's local current expense fund for the 2026-2027 fiscal year. Following the parties' failure to reach agreement at mediation on the amount appropriated to the local current expense fund pursuant to N.C. Gen. Stat. § 115C-431(b1), the parties agree that the minimum county appropriation to the local current expense fund for the 2026-2027 fiscal year shall be determined using the following agreed objective public-data inputs:

(a) Prior-year per-pupil component. For purposes of the calculation described in N.C. Gen. Stat. § 115C-431(b1)(1), the prior-year per-pupil component shall be determined using: (i) the ADM for ABSS for the 2025-2026 school year; and (ii) the A3 Charter School Membership figure attributed to ABSS for the 2024-2025 school year, as published by NCDPI in Spring 2025.

(b) Employment Cost Index component. For purposes of the calculation described in N.C. Gen. Stat. § 115C-431(b1)(2), the Employment Cost Index component shall be the twelve-month percentage change in the second-quarter 2026 Employment Cost Index for elementary and secondary school workers, as reported by the Federal Bureau of Labor Statistics; provided, however, that the percentage used for purposes of this Agreement shall be no greater than 3.7% and no less than 3.3%.

(c) Budget-year membership component. For purposes of the calculation described in N.C. Gen. Stat. § 115C-431(b1)(3), the budget-year membership component shall consist of: (i) the Allotted ADM for ABSS for the 2026-2027 fiscal year; and (ii) the A3 Charter School Membership figure attributed to ABSS for the 2025-2026 school year, as published by NCDPI in 2026.

The parties acknowledge and agree that the A3 Charter School Membership figures identified in subsections (a)(ii) and (c)(ii) are agreed, objective, publicly available measures selected to supply the charter-school membership components of the calculation.

3. 2026-2027 Capital Outlay Appropriation

The County has appropriated $4,820,500 to ABSS for capital outlay purposes for the 2026-2027 fiscal year.

4. 2026-2027 Capital Improvement Plan (CIP) Appropriation

The County has appropriated a total of $9,400,000 for implementation of ABSS's capital improvement plan (hereinafter "CIP") for the 2026-2027 fiscal year. The County further agrees to distribute and/or reallocate from General Fund Transfer, ABSS capital reserves, and/or ABSS school bond interest additional funds for the following projects:

A. $850,000 to fund the five safety vestibules requested in ABSS's original CIP request for the 2026-2027 school year;

B. $2,926,800 to fund the three asphalt paving projects requested in ABSS's original CIP request for the 2026-2027 school year; and
C. $2,000,000 to fund teacher laptop replacements.

5. ABSS Project Closure and Capital Fund Release

ABSS agrees to promptly reallocate $1,547,772.88 to unbudgeted ABSS capital reserves to support the County's above capital outlay allocations from the following closed projects:

A. B. Everett Jordan Elementary School roof project;
B. E.M. Holt Elementary School driveway project;
C. Altamahaw-Ossipee Elementary School driveway project; and
D. Alexander Wilson Elementary School driveway project.

6. Future Current Expense Fund Calculation

Beginning with the 2027-2028 fiscal year, the minimum county appropriation to the local current expense fund under N.C. Gen. Stat. § 115C-431(b1) and, if applicable, N.C. Gen. Stat. § 115C-431(b2), shall be determined using the following agreed objective public-data inputs:

(a) Prior-year per-pupil component. For purposes of N.C. Gen. Stat. § 115C-431(b1)(1) or, if applicable, N.C. Gen. Stat. § 115C-431(b2)(1), the prior-year per-pupil component shall be determined using: (i) the ADM for ABSS for the prior school year; and (ii) the Prior-Year A3 Charter School Membership.

(b) Employment Cost Index component. For purposes of N.C. Gen. Stat. § 115C-431(b1)(2) or, if applicable, N.C. Gen. Stat. § 115C-431(b2)(2), the Employment Cost Index component shall be the twelve-month percentage change in the first-quarter Employment Cost Index for elementary and secondary school workers, as reported by the Federal Bureau of Labor Statistics. If the calculation is made pursuant to N.C. Gen. Stat. § 115C-431(b2), the percentage determined under this subsection shall be increased by three percent (3%) and applied in the manner provided by N.C. Gen. Stat. § 115C-431(b2)(3).

(c) Budget-year membership component. For purposes of N.C. Gen. Stat. § 115C-431(b1)(3) or, if applicable, N.C. Gen. Stat. § 115C-431(b2)(4), the budget-year membership component shall be determined using: (i) the Allotted ADM for ABSS for the budget year in dispute; and (ii) the Budget-Year A3 Charter School Membership.

The parties acknowledge and agree that the A3 Charter School Membership figures identified in subsections (a)(ii) and (c)(ii) are agreed, objective, publicly available measures selected to supply the charter-school membership components of the calculation.

If, for any fiscal year beginning with 2027-2028, the County appropriates the minimum county funding so determined to the local current expense fund, that appropriation shall be deemed made following the failure to reach agreement at mediation on the amount appropriated to the local current expense fund pursuant to N.C. Gen. Stat. § 115C-431(b1). For the avoidance of doubt, the parties acknowledge that N.C. Gen. Stat. § 115C-431(b2) applies only when the amount appropriated to the local current expense fund was determined pursuant to N.C. Gen. Stat. § 115C-431(b1) in each of the two immediately preceding fiscal years; accordingly, a fiscal year determined under subsection (b2) does not satisfy that condition for the following fiscal year.

7. Release of Claims

In consideration of the appropriations described herein and contingent upon formal approval by both boards, the School Board hereby waives and releases any and all claims it may have against the County under N.C. Gen. Stat. § 115C-431 related to any form of local appropriation (including, but not limited to: the local current expense fund, capital outlay fund, and capital improvement plan) for the 2026-2027 fiscal year.

8. Fiscal Procedures and Compliance

All appropriations made pursuant to this Agreement shall be disbursed according to the County's standard fiscal procedures and shall be subject to all applicable accounting and auditing requirements. ABSS and the School Board shall provide documentation, upon request, confirming expenditure of all funds appropriated in accordance with this Agreement. The data inputs identified in this Agreement establish the values to be used for the corresponding statutory variables; except as expressly modified by this Agreement, the sequence of calculations prescribed by N.C. Gen. Stat. § 115C-431(b1) or (b2), as applicable, shall control.

9. Public Records Acknowledgment

The parties acknowledge that this Agreement constitutes a public record and may be disclosed upon request in accordance with the North Carolina Public Records Act.

10. Entire Agreement and Modifications

This Agreement constitutes the entire understanding between the parties regarding the subject matter herein and supersedes all prior discussions or negotiations. Any modification must be in writing and approved by both boards.

11. Severability

If any provision of this Agreement is determined to be invalid or unenforceable, the remaining provisions shall remain in full force and effect.

12. Authority to Execute

Each party represents that it has taken all actions necessary to authorize the execution and performance of this Agreement.

13. Notices

Any notices required under this Agreement shall be delivered to the respective board chairs in writing by hand delivery or by USPS certified mail, return receipt requested service.

14. Incorporation of Recitals

The recitals set forth above are incorporated by reference and shall be deemed part of this Agreement.

15. Execution in Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

16. Effective Date

This Agreement shall become effective upon approval by both the County and the School Board and shall be recorded in the official minutes of their respective governing bodies.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers.

Kelly J. Allen

Kelly Allen, Chair
Alamance County Board of Commissioners

Sandy Ellington-Graves

Sandy Ellington-Graves, Chair
Alamance-Burlington Board of Education