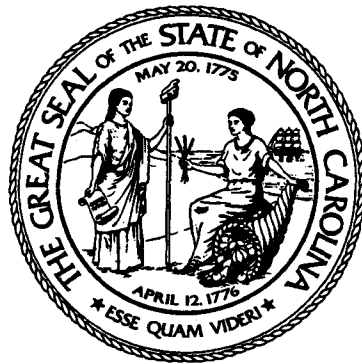


LEGISLATIVE RESEARCH COMMISSION

COMMUNITY COLLEGES COMMITTEE



REPORT TO THE
1998 SESSION OF THE
1997 GENERAL ASSEMBLY
OF NORTH CAROLINA

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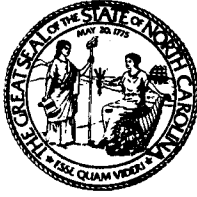
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STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
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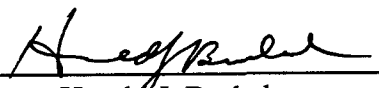


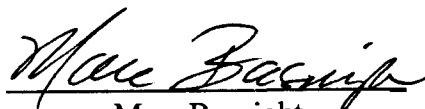
May 11, 1998

TO THE MEMBERS OF THE 1997 GENERAL ASSEMBLY (REGULAR SESSION 1998):

The Legislative Research Commission herewith submits to you for your consideration its Interim report on Community Colleges. The report was prepared by the Legislative Research Commission's Committee on Community Colleges pursuant to G.S. 120-30.17(1).

Respectfully submitted,


Harold J. Brubaker
Speaker of the House


Marc Basnight
President Pro Tempore

Cochair
Legislative Research Commission

1997-1999

LEGISLATIVE RESEARCH COMMISSION

MEMBERSHIP

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Marc Basnight, Cochair

Speaker of the House of Representatives
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Rep. Gregory J. Thompson

PREFACE

The Legislative Research Commission, established by Article 6B of Chapter 120 of the General Statutes, is the general purpose study group in the Legislative Branch of State Government. The Commission is cochaired by the Speaker of the House and the President Pro Tempore of the Senate and has five additional members appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigations into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most efficient and effective manner" (G.S. 120-30.17(1)).

The Legislative Research Commission, prompted by actions during the 1997 Session, has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given responsibility for one category of study. The Cochairs of the Legislative Research Commission, under the authority of G.S. 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Cochairs, one from each house of the General Assembly, were designated for each committee.

The study of Community Colleges was authorized by Part II, Section 2.1(23) of Chapter 483 of the 1997 Session Laws. Part II of Chapter 483 allows for studies authorized by that Part for the Legislative Research Commission to consider the original bill or resolution in determining the nature, scope and aspects of the study. Section 2.1(23) does not reference any bill or resolution. The relevant portions of Chapter 483 are included in Appendix A. The Legislative Research Commission authorized this study under authority of G.S. 120-30.17(1) and grouped this study in its Education and Human Resources Grouping area under the direction of Representative Decker. The Committee was chaired by Senator Plyler and Representative Rayfield. The full membership of the

Committee is listed in Appendix B of this report. A committee notebook containing the committee minutes and all information presented to the committee is filed in the Legislative Library.

COMMITTEE PROCEEDINGS

MONDAY, JANUARY 12, 1998

The Legislative Research Committee on Community Colleges met on Monday, January 12, 1998, at 10:00 a.m. in Room 421 of the Legislative Office Building. Representatives Rayfield, Co-chair, Bonner, Carpenter, Grady, Moore, Sexton, Shubert, Watson and Womble; and Senators Plyler, Co-chair, Albertson and Garwood attended.

Representative Decker, the Legislative Research Committee Member, Mr. Chesson of the Employment Security Commission. Senator Plyler presided during the first half of the meeting. Representative Rayfield presided during the second half of the meeting.

Topics for Study

Kory Goldsmith, Committee Counsel, reviewed Senate Bill 32, the bill that authorizes the research committee to meet and to study the subject of Community Colleges. She noted that the authorization does not reference any pending bills or resolutions. Absent specific guidance, the committee is authorized to study any topics that are relevant to the subject of community colleges.

Senator Plyler asked members for suggestions for topics of study. (The following is compiled from comments made by members during the course of the meeting.) Representative Carpenter expressed concern over inadequate funding for community colleges. President Grimsley spoke to the need to have 30 hour employees considered full-time employees so that they will be eligible to receive retirement benefits and health insurance. Representative Sexton wanted to look at the issue of job training and coordination with Commerce. Representative Watson expressed concern regarding the conversion to the semester system, the funding formula, and the ability of low-wealth counties to adequately provide local funds to single campus community colleges. Senator Albertson requested information regarding whether community colleges are receiving adequate equipment funds and also whether the State is paying enough for faculty salaries. Representative Moore noted that community colleges need to become more user friendly for students under the age of 19, and also expressed support for the continuation of satellite campuses to increase accessibility. Representative Grady requested a presentation on State versus local funding responsibilities and was also interested in faculty salaries. Representative Bonner expressed concern about the level of State funding in low-wealth counties. Representative Womble expressed concern about accessibility, disposal of surplus computers, the need for greater diversity in administrative positions, and the level of State funding. Mr. Mendenhall noted that the system is not broken, but there are issues that should be explored. Representative Shubert requested that the committee hear the Gender Equity report, look at the funding formula and salaries, and requested information regarding funds spent on classroom instruction versus overhead. Representative Rayfield expressed interest in the funding formula, faculty salaries, the New and Expanding Industry Training Program, equipment

needs, capital expenditures, reversions, refund of the sales tax, and purchasing procedures. Senator Plyler requested information from the office of Purchase and Contract regarding disposal of surplus property and purchasing flexibility. Both cochairs commented that in exploring the various topics that had been raised, they would avoid duplicating topics that other committees are studying.

Senator Plyler introduced Mr. Martin Lancaster, President of the North Carolina Community College System. Mr. Lancaster reviewed issues that are being addressed by the Appropriations Subcommittee on Education and the Joint Legislative Education Oversight Committee. He also discussed issues which the committee may want to study in some depth including the authority to enter into lease purchase agreements for equipment, purchasing flexibility, reversions, accountability, and prison start-up costs.

History of North Carolina Community College System

Mrs. Goldsmith gave a presentation of the history of the North Carolina Community College System. She made special note of the dual role the community college system has played throughout its history; one being job training and vocational education, the other being college transfer.

Fiscal Information and Enrollment Trends

Mrs. Charlotte Todd, Fiscal Research, gave a presentation regarding community college funding and also provided information regarding enrollment and enrollment patterns. She informed the members that there are 58 comprehensive community colleges, the Center for Applied Textile Technology, plus 66 off-campus centers or multi-campus colleges. The 1997-98 State budget for community colleges is \$536.3 million. While the number of full-time equivalent students seems to be on the decline, the student head count is going up slightly. The 1996-97 head count was approximately 800,000 students. The current tuition rate is \$560 a year. That is \$280 per semester. This is the first year community colleges have used the semester system. Previously they used the quarter system. Out of state tuition is considerably higher, \$4564 a year.

MONDAY, FEBRUARY 9, 1998

The Legislative Research Committee on Community Colleges met on Monday, February 9, 1998, at 10:00 a.m. in Room 421 of the Legislative Office Building. Representatives Rayfield, Co-chair, Bonner, Carpenter, Grady, Moore, Sexton, Shubert, Watson and Womble; and Senators Albertson and Garwood attended. Representative Decker, the Legislative Research Committee Member, Mr. Chesson of the Employment Security Commission, Mr. Joe Grimsley, President of Richmond Community College and Mr. B.E. Mendenhall also attended. Representative Rayfield presided.

½% Reversion

Mr. Kennon Briggs, Vice President for Finance, North Carolina Department of Community Colleges referred to a letter from Mr. Lancaster, President of the North Carolina Community College System, addressed to the cochairs of the Committee. Mr.

Briggs stated that he would like to clear up some possible confusion over the tuition shortfall this fiscal year which has caused the need for a ½% reversion. The tuition shortfall has been caused by a combination of reengineering and conversion to the semester system.

Mr. Briggs explained that several years ago, the General Assembly expressed it's intent that community college students should be able to transfer credits to the University of North Carolina System. In order to accomplish this, the Community College System worked diligently to reengineer its curriculum courses. The system also converted to a semester calendar. National research data has shown that during the first year of operation under the semester system, enrollments typically decline between 3-8%. Along with the enrollment decline there is also a reduction in receipts. In anticipation that this might occur, the State Board of Community Colleges requested approximately \$1.9 million in the 1997-98 budget to cover this shortfall. The funds were not appropriated.

In the fall of 1997, President Lancaster warned all the college presidents and business officers that receipt collections could be down. They were advised to hold back ½% of their state budget funds in order to be able to comply with the legal requirement of operating under a balanced budget. Based upon budget information that became available on January 15, 1998, the State Board determined that it would be necessary to have the colleges remit .5% of their funds.

Budget Process

Dr. Barry Russell, Senior Vice President, North Carolina Community College System spoke with the Committee about the process used this year to prepare the system's budget. The procedure looked at major themes that would make a large difference in the ability of the system to meet its diverse needs.

Equipment Needs

Mr. Briggs made a presentation on the equipment needs of community colleges. The 1997-8 expansion budget appropriated \$4 million in recurring funds and \$9 million in non-recurring funds for equipment and books. Several committee members expressed concern that colleges lacked basic equipment and much of the equipment they have is outdated. Mr. Briggs addressed this issue telling the Committee of a survey made in November. The survey indicated approximately \$131 million of equipment needs system wide. He indicated that these needs are not administrative, but to teach students. Mr. Briggs suggested that the General Assembly might consider an infusion of funds to help the Community College System catch up and also provide a continuing base of support each year to try to insure this backlog does not occur again. He noted that the State Board would be requesting that the General Assembly consider a four or five year life cycle of replacement

Lease-Purchase and Installment Purchase Contracts

Mr.- Kennon Briggs explained that there has been some question as to whether or not community colleges have the authority to enter into lease-purchase agreements. The

Attorney General's office has issued an advisory opinion indicating that the issue of authority is not clear, and that the matter needs statutory clarification. In response to the advisory opinion, the State Board brings to the committee a request for clarifying legislation.

Mr. David Lawrence, Attorney, Institute of Government, spoke explaining the terminology and the legal issues related to lease-purchase agreements. Representative Sexton made a motion that the Committee recommend that the staff develop suggested legislation that clarifies the authority of the community colleges to enter into lease purchase agreements similar to those of the public schools. Mr. Grimsley seconded the motion. The vote was unanimous.

Mr. Bob High, Department of the State Treasurer, addressed the committee regarding lease-purchase agreements and the role of the Local Government Commission. He noted that North Carolina has gained the reputation of the best local government finance state in the United States. The Local Government Commission assists local units in maintaining that rating.

Mr. Ed Little, Chief of Purchasing for the Division of Purchase and Contracts, addressed the committee stating that his division would like to have in place legislation authorizing lease-purchase contracts for community colleges.

Purchasing Flexibility

Mrs. Kory Goldsmith, Legal Staff, spoke regarding President Lancaster's request for greater purchasing flexibility for community colleges. Larry McLamb, Director, Financial Services, Department of Public Instruction, spoke to the committee explaining the purchasing pilot program in twelve public school districts. He also referred to a report to the State Board of Education regarding the implementation of the pilots.

Mr. Kennon Briggs presented the request for increasing purchasing flexibility for community colleges. The first request is to have the bid level benchmark raised to \$25,000 for all of the community colleges. The second request is to allow community colleges to purchase the same item off term contract if the item can be purchased for less including the cost of delivery.

Mr. Robert C. Keys, President of Rockingham Community College, gave some practical examples of current practices at his college. He spoke of substantial savings that could be realized with the flexibility

Providing State Benefits for 30 Hour Employees

Mr. Stanley Moore, Senior Fiscal Analyst, explained how the legal definition of "full-time employee" changed in 1987 to include employees who work 30 hours or more per week for at least nine months per year. The change meant that certain University employees would be considered full-time employees, thereby receiving retirement benefits and health insurance. He pointed-out that public school teachers and community

college employees are not State employees, and that the statutory change did not effect them.

Dr. Barry Russell, Senior Vice President, North Carolina Department of Community Colleges, informed the Committee that legal counsel had requested an Attorney General's opinion regarding whether the State Board of Community Colleges has the authority to define by rule or policy what constitutes a full-time employee.

Gender Equity Report

Dr. Kathryn-Baker-Smith, Guilford Community Colleges, shared the results of a report on Gender Equity in the Community Colleges.

MONDAY, MARCH 9, 1998

The Legislative Research Committee on Community Colleges met on Monday, March 9, 1998, at 9:30 a.m. in Room 421 of the Legislative Office Building. Representatives Rayfield, Co-chair, Bonner, Carpenter, Grady, Moore, Sexton, Watson and Womble; and Senators Plyler, Co-chair, Albertson and Jenkins attended. Mr. Chesson of the Employment Security Commission, Mr. Joe Grimsley, President of Richmond Community College, and Mr. B. E. Mendenhall also attended. Rep. Fern Shubert had an excused absence. Senator Plyler presided.

Committee Review of Draft Legislation

Kory Goldsmith, Committee Counsel, reviewed draft legislation developed from the discussion of previous committee meetings. The first piece, entitled "Community Colleges' Lease Purchase Authority", specifically gives community colleges the authority to enter into lease purchase or installment purchase contracts for equipment only. If the term of the lease is 3 or more years, or the cost is more than \$100,000, then the contract is subject to approval. If State funds are being used, the State Board of Community College shall review and approve the contract. If local funds are being used, then the "tax levying authority" must approve the transaction. Rep. Sexton moved to submit the proposed legislation to the General Assembly. The motion unanimously carried.

The second piece of draft legislation, entitled "Community Colleges Purchasing Flexibility", would give to community colleges the same flexibility that the public schools currently have to purchase items off term contract, if the cost of the item is less than what the item would cost on the term contract, including the cost of delivery and the cost of the item does not exceed the bid level benchmark. Currently, the bid level benchmark for all community colleges is \$10,000. Individual colleges may apply to have the benchmark raised to \$25,000. Rep. Moore moved to adopt this legislation. The motion unanimously carried.

The third draft, "Revise State Board of Community College Election", concerned the nomination procedure in the House. After much discussion, the proposal was held over until the next meeting.

The fourth draft, "Community College Trustee Eligibility" clarifies who would be eligible to sit on the board of trustees of a community college. In 1995, the General Assembly amended the law to prohibit the child of a full-time community college employee from sitting on the board of trustees. The proposed legislation would prohibit the parent of a child who is a full-time employee from serving on the board of trustees. Sen. Albertson asked to delay consideration of this matter until the next meeting. This motion carried without objection.

Disposal of Surplus Property by Community Colleges

Mr. Albano, Department of Community Colleges gave an overview of the method of surplus property disposal by the community college system. If a community college is unable to dispose of surplus property by the 7 methods enumerated by law, the college can then contact Mr. Jeff Nance, the State Surplus Property Director, and he can dispose of the materials in several new markets he has established. Rep. Moore asked if the public schools could possibly use some of the surplus items. Mr. Albano replied that most of the items were unusable.

Jeff Nance, State Surplus Property Director, addressed the committee noting that the wish and intent of State Surplus Property is to put a computer in front of every kid in North Carolina. He discussed a program used by State Surplus to refurbish old computers and then sell them to the public schools for \$20 each. Rep. Womble expressed the wish that used computers could be donated to community groups assisting disadvantaged children. Mr. Grimsley said the community colleges would like to have a shorter time frame to turn items in to surplus property, because they have nowhere to store them. Sen. Jenkins asked Mr. Nance to come back to the next committee meeting with a proposal of how the General Assembly can help with the work of state surplus in getting computers to the public schools.

Capital Expenditures/Renovation and Repair Needs

Mr. Kennon Briggs gave a brief overview of the need for renovation and repair funding in the Community College system. The counties are responsible for providing funds for the maintenance of building and grounds and operation of the plant. However, the State has appropriated funds for capital improvement. The 1993 bond proceeds may be used to pay the cost of renovating buildings. A 1997 survey of all the community colleges revealed \$91.4 million in repair and renovation needs. The State Board will recommend a renovation allowance of 1.5% of total value to be allocated each year for repair, or \$16.5 million per year. At \$16.5 million per year, it will take 5.5 years to address the backlog of repairs. A shared arrangement with the local authorities in some sort of matching arrangement would help address the repair backlog in 2.7 years. Some colleges in low wealth counties will have trouble matching any amount to get state funds. The State Board would like to use the current low wealth criteria in their cases.

Review of Capital Expenditure Needs. Since 1963, the state has received approximately \$209 million for new construction funding. The majority of this money

came between 1983 and 1990. In 1993, the General Assembly authorized \$250 million in bond funds. The total capital improvement funding by the State is about \$459 million. The capital improvement funding formula was developed in 1990 and includes 7 criteria. Under the formula, a college may request one project for its home county campus and one project for each county served. In order to fund as many projects as possible, the State Board has had in place a \$3 million cap on each project. Rankings are reevaluated every biennium. In 1997, all the colleges were surveyed to determine need. The survey indicates there is \$548 million in new construction needs, split about \$374 State, about \$174 million local. Given that amount was too large to be realistic, the list was pared down to the top three needs at each school. That brought the figure down to \$370 million, of which \$266 million would be State funds.

The State Board is currently revising the funding formula and criteria, and will bring the proposal to the 1999 session. All the college presidents were surveyed and it appears the presidents prefer these criteria:

1. Condition and suitability of space;
2. Current assignable square feet per student;
3. Planned use of space for instructional purposes;
4. Anticipated impact on program quality; and
5. Response to an urgent need.

New and Expanding Industries Training Program

Dr. Barry Russell, Exec. Vice Pres. and Chief Operating Officer, gave a brief history of the program. The State Board has developed guidelines to determine which companies are eligible for training, how the training is to be delivered, and what kinds of expenditures and activities are permitted. In a typical year, community colleges work with approximately 180 companies and train about 25,000 North Carolina workers.

Administrative Costs at the Local Level

Kennon Briggs, Vice Pres. for Business and Finance, provided information regarding what percentage of the budget was taken by administrative cost. System wide it is 6%. The percentage varies at the local level.

Budget Transfers

Kennon Briggs, Vice Pres. for Business and Finance, addressed the committee regarding a legislative inquiry asking how funds were spent from the time they were originally allocated according to the formula and where the money was expended by each college. Speaking to a memo distributed to members, Mr. Briggs noted that 54 of the 58 colleges legally transferred funds allocated for faculty salaries to other areas, mainly instructional support and equipment. Approximately \$25 million was transferred. The funds were generated by not filling full-time positions, or by hiring part-time faculty in lieu of hiring full-time faculty. The State Board's 1998 budget request will ask for additional funding in the areas.

Review of GPAC Recommendations

Dr. Barry Russell, Exec. Vice President and Chief Operating Officer, gave a brief overview of the GPAC recommendations and how they have been implemented by the Community College System.

APRIL 14, 1998

The Legislative Research Committee on Community Colleges met on Tuesday, April 14, 1998, at 8 a.m. in Room 421 for the purpose of approving the Committee's Interim Report to the Legislative Research Commission. Committee members also received information regarding recent initiatives on diversity in the North Carolina Community College System and additional information regarding State Surplus' computer recycling program.

FINDINGS AND RECOMMENDATIONS

- 1. A BILL TO BE ENTITLED AN ACT TO CLARIFY COMMUNITY COLLEGES' AUTHORITY TO ENTER INTO LEASE PURCHASE AND INSTALLMENT PURCHASE CONTRACTS FOR EQUIPMENT.**
- 2. A BILL TO BE ENTITLED AN ACT TO PROVIDE COMMUNITY COLLEGES WITH ADDITIONAL PURCHASING FLEXIBILITY.**
- 3. A BILL TO BE ENTITLED AN ACT TO REVISE THE ELIGIBILITY REQUIREMENTS FOR MEMBERS OF THE LOCAL BOARDS OF TRUSTEES FOR COMMUNITY COLLEGES.**
- 4. CAPITAL FUNDS FINDINGS AND RECOMMENDATIONS.**

FINDING: G.S. 115D-32 provides that the tax-levying authority of each institution shall be responsible for providing adequate funds to meet the financial needs of the community college for acquisition of land, erection of all buildings, alterations and additions to buildings, and maintenance and repairs of buildings.

FINDING: The State Board of Community Colleges has identified the need for over ninety-one million dollars (\$91,000,000) of renovation and repairs, and over one hundred fifty-four million dollars (\$154,000,000) of new construction at community colleges.

FINDING: The General Assembly has, from time to time, appropriated funds for new construction at community colleges, totaling approximately two hundred nine million dollars (\$209,000,000).

FINDING: The General Assembly has provided that proceeds from the Community College bonds may be used for building renovations.

FINDING: The State Board of Community Colleges has reported to the Joint Education Appropriations Subcommittee that the Board will include in its 1998-99 proposed budget a request that the General Assembly appropriate funds for the renovation and repair of existing buildings and the construction of new buildings on community college campuses.

RECOMMENDATION: The Joint Education Appropriations Subcommittee consider the State Board of Community Colleges' budget request for funds to renovate, repair, and construct new buildings on community college campuses

5. NEW AND EXPANDING INDUSTRIES TRAINING PROGRAM FINDINGS AND RECOMMENDATIONS.

FINDING: The General Assembly appropriates recurring funds for the New and Expanding Industry Training Program.

FINDING: The purpose of the New and Expanding Industry Training Program is to provide customized training assistance in support of new, full-time production positions created in the State of North Carolina.

FINDING: G.S. 115D-5(l) directs the State Board of Community Colleges to report semi-annually to the Joint Legislative Education Oversight Committee regarding the expenditures for the New and Expanding Industry Training Program.

FINDING: On April 18, 1997, the State Board of Community Colleges adopted new program guidelines.

FINDING: G.S. 115D-5(k) provides that the guidelines adopted by the State Board shall apply to all funds appropriated for the program after June 30, 1997. G.S. 115D-5(k) also provides that a project approved as an exception under the guidelines shall be approved for one year only.

FINDING: The Current Operations and Capital Budget Act of 1997 provides that the Department of Community Colleges may use up to one hundred twenty-five thousand dollars (\$125,000) of the funds appropriated for the New and Expanding Industry Training Program to monitor compliance with the program guidelines.

RECOMMENDATION: That the State Board of Community Colleges continue to implement the New and Expanding Industries Training Program in accordance with the program guidelines and also monitor compliance with the guidelines.

APPENDICES

CHAPTER 483
1997 Session Laws

AN ACT TO AUTHORIZE STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION, TO CREATE AND CONTINUE VARIOUS COMMISSIONS, TO CONTINUE A COUNCIL, TO DIRECT STATE AGENCIES AND LEGISLATIVE OVERSIGHT COMMITTEES AND COMMISSIONS TO STUDY SPECIFIED ISSUES, AND TO IMPOSE A MORATORIUM ON SERVICE CORPORATION CONVERSIONS.

The General Assembly of North Carolina enacts:

PART I.-----TITLE

Section 1. This act shall be known as "The Studies Act of 1997".

PART II.-----LEGISLATIVE RESEARCH COMMISSION

Section 2.1. The Legislative Research Commission may study the topics listed below. When applicable, the bill or resolution that originally proposed the issue or study and the name of the sponsor is listed. Unless otherwise specified, the listed bill or resolution refers to the measure introduced in the 1997 Regular Session of the 1997 General Assembly. The Commission may consider the original bill or resolution in determining the nature, scope, and aspects of the study. ...

(23) Community colleges (Rayfield; Shubert) ...

PART XVII.-----EFFECTIVE DATE AND APPLICABILITY

Section 17.1. Except as otherwise specifically provided, this act becomes effective July 1, 1997. If a study is authorized both in this act and the Current Operations Appropriations Act of 1997, the study shall be implemented in accordance with the Current Operations Appropriations Act of 1997 as ratified.

In the General Assembly read three times and ratified this the 28th day of August, 1997.

s/ Marc Basnight
President Pro Tempore of the Senate

s/ Harold J. Brubaker
Speaker of the House of Representatives

s/ James B. Hunt, Jr.
Governor

Approved 11:00 a.m. this 10th day of September, 1997

**LEGISLATIVE RESEARCH COMMISSION
COMMUNITY COLLEGES COMMITTEE
1997-1999**

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DRAFT

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

D

D98-RCZ-003

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)

Short Title: Comm. Colleges' Lease Purchase Authority. (Public)

Sponsors: .

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO CLARIFY COMMUNITY COLLEGES' AUTHORITY TO ENTER INTO
3 LEASE PURCHASE AND INSTALLMENT PURCHASE CONTRACTS FOR
4 EQUIPMENT.
5 The General Assembly of North Carolina enacts:
6 Section 1. G.S. 115D-20 is amended by adding a new
7 subsection to read:
8 "(11) To enter into lease purchase and installment
9 purchase contracts for equipment under G.S. 115D-
10 58.14."
11 Section 2. Article 4A of Chapter 115D is amended by
12 adding a new section to read:
13 "§ 115D-58.14. Lease purchase and installment purchase contracts
14 for equipment.
15 (a) Authority. - The board of trustees of a community college
16 may use lease purchase or installment purchase contracts to
17 purchase or finance the purchase of equipment as provided in this
18 section.

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- 1 (b) Contract Approval. - Contracts for more than one hundred
2 thousand dollars (\$100,000) or for a term of more than three
3 years shall be subject to review and approval as follows:
4 (1) by the State Board of Community Colleges if the
5 obligation will be paid from State funds; or
6 (2) by the tax-levying authority of the institution if
7 the obligation will be paid from local funds.
8 If a contract is approved by a tax-levying authority under this
9 subsection, in each year the tax-levying authority shall
10 appropriate sufficient funds to meet the amounts to be paid
11 during the fiscal year under the contract.
12 (c) Local Government Commission. - A contract that is subject
13 to approval by the tax-levying authority also shall be subject to
14 approval by the Local Government Commission as provided in
15 Article 8 of Chapter 159 of the General Statutes if the contract:
16 (1) extends for five or more years from the date of the
17 contract;
18 (2) obligates the board of trustees to pay sums of
19 money to another, regardless of whether the payee
20 is a party to the contract; and
21 (3) obligates the board of trustees to pay five hundred
22 thousand dollars (\$500,000) or more over the full
23 term of the contract.
24 (d) Application of Section. - When determining whether a
25 contract is subject to approval under this section the total cost
26 of exercising an option to upgrade property shall be taken into
27 consideration. The term of a contract shall include periods that
28 may be added to the original term through the exercise of an
29 option to renew or extend.
30 (e) Nonsubstitution Clause. - No contract entered into under
31 this section may contain a nonsubstitution clause that restricts
32 the right of a board of trustees to:
33 (1) Continue to provide a service or activity; or
34 (2) Replace or provide a substitute for any property
35 financed or purchased by the contract.
36 (f) Nonappropriations clause. - No deficiency judgment may be
37 rendered against any board of trustees, any tax-levying
38 authority, the State Board of Community Colleges, or the State of
39 North Carolina in any action for breach of a contractual
40 obligation authorized by this section. The taxing power of a

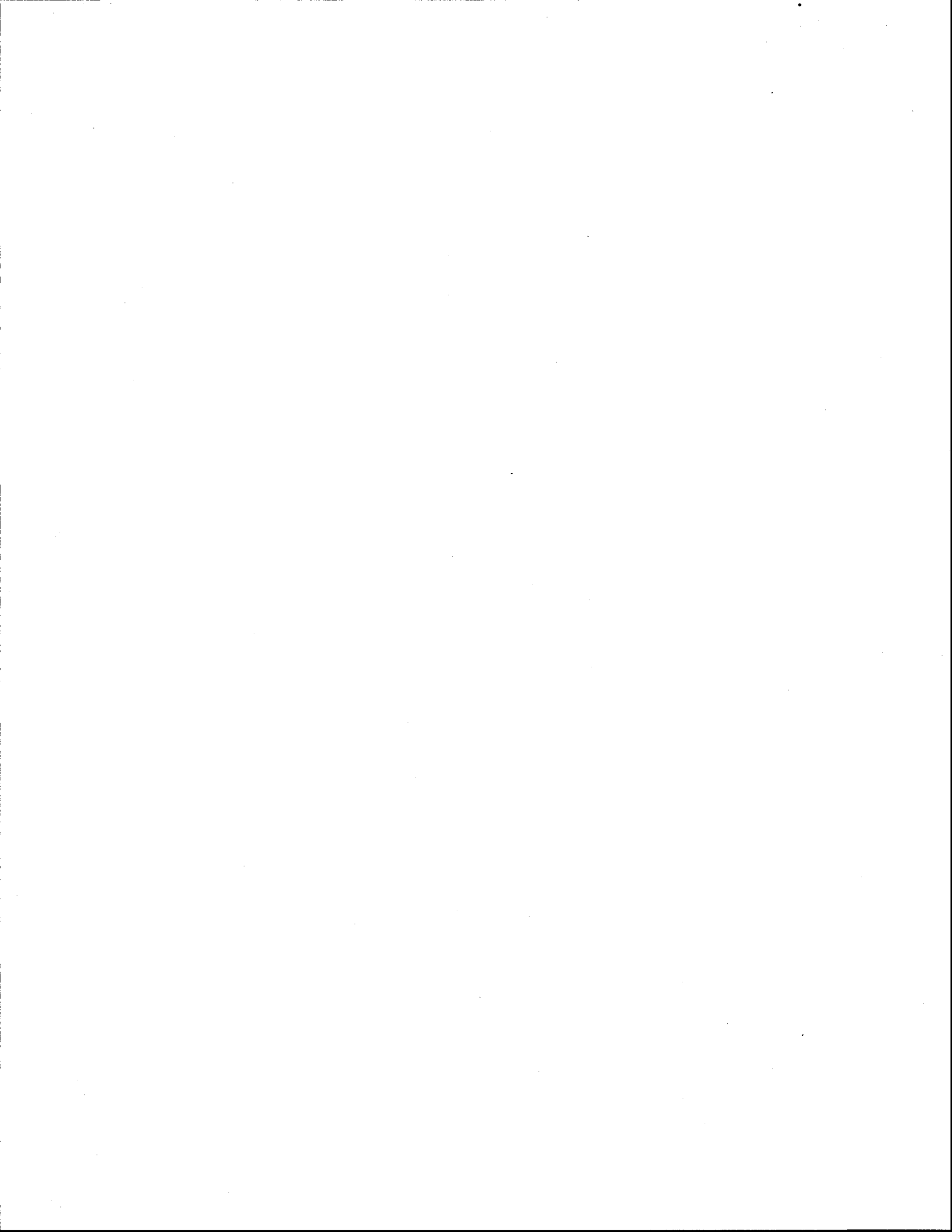
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1 tax-levying authority and the State is not and may not be pledged
2 directly or indirectly to secure any moneys due under a contract
3 authorized by this section."

4 Section 3. G.S. 115D-5 is amended by adding a new
5 subsection to read:

6 "(i) The State Board shall review and approve lease purchase
7 and installment purchase contracts as provided in G.S. 115D-
8 58.14(b). The State Board shall adopt policies and procedures
9 governing the review and approval process."

10 Section 4. This act is effective when it becomes law
11 and applies to contracts entered into on or after that date.





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To: Representative Rayfield and Senator Plyler, cochairs, Community College LRC Committee

From: Kory Goldsmith, Committee Counsel *KJA*

Date: April 22, 1998

Re: Community College Lease Purchase Authority - Draft Legislation
D98-RCZ-003

Section 1 amends G.S. 115D-20 to clarify that a board of trustees of a community college may enter into lease purchase or installment purchase contracts for equipment.

Section 2 creates a new section, G.S. 115D-58.14 which outlines the process for using lease purchase or installment purchase contracts for equipment. Community college boards of trustees would have the authority to enter into these contracts without any prior approval if the contract is for less than \$100,000 or is for more than 3 years. If the community college is going to use State appropriated funds to pay for a contract that is for more than \$100,000 or that are for 3 or more years, the State Board of Community Colleges must review and approve the contract. The board(s) of county commissioners that are directly responsible for the local financial support and local administration of the college have review and approval authority for contracts that exceed the \$100,000/3 year threshold if local funds will be used to pay for the item. If the county commissioners approve a lease purchase or installment purchase contract under this section, they are required to appropriate sufficient funds in subsequent years to meet the obligation. The Local Government Commission must approve contracts for 5 or more years and over \$500,000, if the payments will be made from local funds.

The term of a contract includes any options to renew or extend. The total obligation under a contract includes any additional costs for upgrading the equipment. In the event a college failed to make its payments, the vendor's only recourse would be to repossess the equipment. The vendor could not sue for additional monies owed, and neither the taxing authority of the State or the county is pledged.

Section 3 directs the State Board of Community Colleges to review and approve lease purchase and installment purchase contracts and to adopt policies and procedures for that process.

The bill would become effective upon becoming law and would apply to contracts entered into on or after that date.

D98-RCZ-003summary

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GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

D

D98-RCZ-004.1

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)

Short Title: Comm. Coll. Purchasing Flexibility. (Public)

Sponsors: .

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE COMMUNITY COLLEGES WITH ADDITIONAL PURCHASING
3 FLEXIBILITY.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 115D-58.5(b) reads as rewritten:
6 "(b) Each institution shall be governed in its purchasing of
7 all supplies, equipment, and materials by contracts made by or
8 with the approval of the Purchase and Contract Division of the
9 Department of ~~Administration~~. Administration except as provided
10 in G.S. 115D-58.14. No contract shall be made by any board of
11 trustees for purchases unless provision has been made in the
12 budget of the institution to provide payment thereof. In order to
13 protect the State purchase contracts, it is the duty of the board
14 of trustees and administrative officers of each institution to
15 pay for such purchases promptly in accordance with the contract
16 of purchase. Equipment shall be titled to the State Board of
17 Community Colleges if derived from State or federal funds."
18 Section 2. Article 4A of Chapter 115D is amended by
19 adding a new section to read:
20 "§ 115D-58.14. Purchasing Flexibility.

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1 (a) Community colleges and the Center for Applied Textile
2 Technology may purchase the same supplies, equipment, and
3 materials from noncertified sources as are available under State
4 term contracts, subject to the following conditions:

5 (1) The purchase price, including the cost of delivery,
6 is less than the cost under the State term
7 contract; and

8 (2) The cost of the purchase shall not exceed the bid
9 value benchmark established under G.S. 143-53.1.

10 (b) The State Board of Community Colleges and the Department
11 of Administration shall adopt policies and procedures for
12 monitoring the implementation of this section."

13 Section 3. This act is effective when it becomes law
14 and applies to purchases made on or after that date.



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To: Representative Rayfield and Senator Plyler, cochairs, Community College LRC
Committee

From: Kory Goldsmith, Committee Counsel *KJG*

Date: March 6, 1998

Re: Community College Purchasing Flexibility- Draft Legislation
D98-RCZ-004.1

Section 1 amends G.S. 115D-58.5(b) to provide that community colleges must purchase equipment and supplies under State term contracts except as provided in G.S. 115D-58.14.

Section 2 creates a new section, G.S. 115D-58.14 which provides that a community college may purchase supplies, equipment, and materials from noncertified sources the college can find the same item for less, including cost of delivery, and the cost of the purchase does not exceed the bid level benchmark. Currently, the bid level benchmark for all community colleges is \$10,000. However, colleges may apply to the Department of Administration to have the benchmark raised to \$25,000. The State Board of Community Colleges and the Department of Administration are directed to develop policies and procedures for monitoring these purchases.

The act would become effective upon becoming law and applies to purchases made on or after that date.

D98-RCZ-004.1 (summary)

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GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

D

D98-RCZ-002

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)

Short Title: Comm. Coll. Trustee Eligibility. (Public)

Sponsors: .

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO REVISE THE ELIGIBILITY REQUIREMENTS FOR MEMBERS OF THE
3 LOCAL BOARDS OF TRUSTEES FOR COMMUNITY COLLEGES.
4 The General Assembly of North Carolina enacts:
5 Section 1. G.S. 115D-12(b1) reads as rewritten:
6 "(b1) No person who has been employed full time by
7 the community college within the prior 5 years and
8 no ~~spouse~~ spouse, parent, parent-in-law, or child
9 of a person currently employed full time by the
10 community college shall serve on the board of
11 trustees of that college. No member of the General
12 Assembly shall be eligible for election or
13 appointment as a trustee of a community college."
14 Section 2. This act is effective when it becomes law
15 and applies to terms beginning on or after that date.



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To: Representative Rayfield and Senator Plyler, cochairs, Community College LRC
Committee

From: Kory Goldsmith, Committee Counsel *KJB*

Date: April 22, 1998

Re: Comm. College Trustee Eligibility - Draft Legislation
D98-RCZ-002

Background - In 1995, the General Assembly amended G.S. 115D-12 by adding a new subsection governing whether an individual has a conflict that would make them ineligible to serve on a community college board of trustees. The revisions came upon the recommendation of the Trustees Association. One of the changes provides that a person could not serve on the board if that individual's parent was a full time employee of the community college. The change failed to cover the situation where the parent serves on the board and the child is an employee of the college.

Section 1 amends G.S. 115D-12(b1) to create additional disqualifications. Under the proposed legislation, the parent or parent-in-law of a full-time employee of the college could not serve on the board of trustees. The amendments would also prohibit members of the General Assembly from serving on the board of trustees.

The act becomes effective upon becoming law. It would apply to terms beginning on or after that date. It would not have the effect of disqualifying any currently sitting trustee from finishing their term of office.

D98-RCZ-002(summary)