

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 1104\*

Short Title: Sch. Facilities Trust Fund.

(Public)

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Sponsors: Representatives Daughtry, Arnold, Shubert; Barnes, Buchanan, Crawford, Cunningham, Hackney, Hill, H. Hunter, Owens, Preston, Rayfield, and J. Robinson.

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Referred to: Education, if favorable Appropriations.

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May 14, 1996

A BILL TO BE ENTITLED

1 AN ACT TO IMPLEMENT THE RECOMMENDATION OF THE SCHOOL CAPITAL  
2 CONSTRUCTION STUDY COMMISSION TO ESTABLISH THE SCHOOL  
3 FACILITIES TRUST FUND TO PROVIDE FUNDS FOR GRANTS TO  
4 COUNTIES FOR PUBLIC SCHOOL CAPITAL OUTLAY PROJECTS, IN ORDER  
5 TO PROMOTE EQUITY IN LOCAL SCHOOL FACILITIES ACROSS THE  
6 STATE AND TO REDUCE THE PRESSURE ON THE LOCAL PROPERTY TAX.  
7

8 The General Assembly of North Carolina enacts:

9 Section 1. Chapter 115C of the General Statutes is amended by adding a new  
10 Article to read:

11 **"ARTICLE 35A.**

12 **"PUBLIC SCHOOL FACILITIES TRUST FUND.**

13 **"§ 115C-499.1. Purpose; definitions.**

14 (a) It is the intent of the General Assembly by this Article to provide State  
15 revenues to help counties meet their continuing public school facilities needs.

16 (b) As used in this Article, unless the context otherwise requires:

17 (1) 'Ability to pay' means county wealth as used by the General Assembly  
18 for the current fiscal year to allocate supplemental funding to low-  
19 wealth counties.

- 1           (2) 'Average daily membership' means average daily membership as  
2 defined in the North Carolina Public Schools Allotment Policy Manual,  
3 adopted by the State Board of Education. If a county contains only part  
4 of a local school administrative unit, the average daily membership of  
5 that county includes all students who reside within the county and  
6 attend that local school administrative unit.
- 7           (3) 'County's ability to pay rank' means the county's rank in the ranking of  
8 counties from lowest to highest county wealth as a percentage of State  
9 average wealth made by the State Board of Education for the current  
10 fiscal year as used by the General Assembly to allocate supplemental  
11 funding to low-wealth counties.
- 12           (4) 'High growth' means a county's increases in average daily membership  
13 for the prior five fiscal years.
- 14           (5) 'Non-State expenditures' means expenditures made from local funds,  
15 which include revenue received from local sales and use taxes that is  
16 restricted for public school capital outlay purposes under G.S. 105-502  
17 or G.S. 105-487, and means funds that have been budgeted, earmarked,  
18 or committed or if debt has been authorized or incurred.
- 19           (6) 'Public school capital outlay projects' means the planning, construction,  
20 reconstruction, enlargement, improvement, repair, or renovation of  
21 public school buildings, the purchase of land necessary for immediate  
22 construction of school buildings, and other related capital outlay  
23 projects constituting facilities for individual schools that are used for  
24 instructional and related purposes, but not including centralized  
25 administration, maintenance, trailers, relocatable classrooms, mobile  
26 classrooms, or other facilities.
- 27           (7) 'Trust Fund' means the Public School Facilities Trust Fund established  
28 in G.S. 115C-499.2.

29 **§ 115C-499.2. Creation of Fund.**

30 The Public School Facilities Trust Fund is established as a nonreverting special  
31 revenue fund under the control and direction of the State Board of Education. The Trust  
32 Fund consists of the following revenue:

- 33           (1) Beginning July 1, 1996, the Secretary of Revenue shall, on a quarterly  
34 basis, deposit an amount equal to two thirty-firsts (2/31) of the net  
35 collections received during the previous quarter by the Department of  
36 Revenue under G.S. 105-130.3.
- 37           (2) The portion of the unreserved credit balance of the General Fund that is  
38 credited to the Trust Fund under G.S. 143-15.2.
- 39           (3) Any unexpended funds remaining in the Critical School Facility Needs  
40 Fund on July 1, 1996.
- 41           (4) Interest and other investment income earned by the Trust Fund.

42 All funds deposited in the Trust Fund shall be invested as provided in G.S. 147-69.2  
43 and G.S. 147-69.3.

1 **"§ 115C-499.3. Use of revenue in the Trust Fund; match requirements.**

2 (a) On a quarterly basis, revenue received under G.S. 115C-499.2(1) minus two  
3 million five hundred thousand dollars (\$2,500,000) shall be allocated to the counties on a  
4 per average daily membership basis. Interest earned on funds allocated to each county  
5 under this subsection shall be allocated to that county. These funds shall be placed in the  
6 School Buildings Account.

7 (b) Of the revenue received under G.S. 115C-499.2(1), ten million dollars  
8 (\$10,000,000) shall be used to provide annual grants to the counties that have the most  
9 critical school facility needs as determined and ranked by the 1989 report of the  
10 Commission on School Facility Needs, established under Article 34A of this Chapter.  
11 These grants shall be made in the order of priority and in the amounts set forth in the  
12 1989 report. After the final grant is made under this subsection, any unexpended revenue  
13 shall be placed in the School Capital Outlay Account established under subsection (c) of  
14 this section. In addition, after the final grant is made under this subsection, two million  
15 five hundred thousand dollars (\$2,500,000) shall be placed in the School Capital Outlay  
16 Account on a quarterly basis and allocated to counties under subsection (c) of this  
17 section.

18 (c) Except as provided in subsections (a) and (b) of this section, revenue in the  
19 Trust Fund shall be placed in the School Capital Outlay Account, to be allocated to the  
20 counties on the following distribution basis:

21 (1) Forty percent (40%) shall be allocated on a per average daily  
22 membership basis.

23 (2) Thirty-five percent (35%) shall be allocated on the basis of ability to  
24 pay.

25 (3) Twenty-five percent (25%) shall be allocated on the basis of high  
26 growth.

27 However, no proceeds from the School Capital Outlay Account shall be allocated  
28 until the total proceeds, including interest, are at least two hundred fifty million dollars  
29 (\$250,000,000). When the total proceeds, including interest, of the School Capital  
30 Outlay Account reach two hundred fifty million dollars (\$250,000,000), the State Board  
31 of Education may begin to make allocations so long as the total proceeds, including  
32 interest, in this Account are no less than one hundred million dollars (\$100,000,000) at  
33 any time.

34 Interest earned on funds allocated to each county shall be allocated to that county.

35 (d) Revenue in the Trust Fund shall be used for public school capital outlay  
36 projects. In the event a county finds that it does not need all or part of the funds allocated  
37 to it for public school capital outlay projects, any funds allocated to that county that are  
38 not needed may be used to retire any indebtedness incurred by the county for public  
39 school capital outlay projects.

40 (e) A county is not required to match funds allocated to that county on the basis of  
41 ability to pay. A county shall match funds allocated under subsection (a) of this section  
42 on the basis of one dollar (\$1.00) of local funds for every three dollars (\$3.00) of State  
43 funds. A county shall match funds allocated under subsection (c) of this section on the

1 basis of high growth and the basis of average daily membership at the rate of matching  
2 funds equal to three cents (3¢) times the county's ability to pay rank for every one dollar  
3 (\$1.00) of allocated funds. The match requirement may be satisfied by non-State  
4 expenditures for public school capital outlay projects made on or after January 1, 1992.  
5 Non-State expenditures for public school capital outlay projects shall be used only one  
6 time to meet the match requirements under this section. Non-State expenditures for  
7 public school capital outlay projects used to meet the match requirements required by any  
8 State bonds for public school capital outlay projects on or after July 1, 1996, may not be  
9 used to meet the match requirements under this section.

10 (f) The State Board of Education shall adopt procedures to ensure that a county  
11 has complied with the requirements of subsections (d) and (e) of this section before that  
12 county expends allocated funds under this section."

13 Sec. 2. G.S. 143-15.2 reads as rewritten:

14 **"§ 143-15.2. Use of General Fund credit balance.**

15 The State Controller shall reserve up to one-fourth of any unreserved credit balance,  
16 as determined on a cash basis, remaining in the General Fund at the end of each fiscal  
17 year to the Savings Reserve Account as provided in G.S. 143-15.3, unless that would  
18 result in the Savings Reserve Account having funds in excess of five percent (5%) of the  
19 amount appropriated the preceding year for the General Fund operating budget, including  
20 local government tax-sharing funds; in that case, only funds sufficient to reach the five  
21 percent (5%) level shall be reserved. ~~credited to the Savings Reserve Account and the~~  
22 difference between the amount needed to reach the five percent (5%) level and the  
23 amount equal to one-fourth of the unreserved credit balance shall be credited to the  
24 Public School Facilities Trust Fund, established under G.S. 115C-499.1. The State  
25 Controller shall also reserve the lesser of (i) one-fourth of any unreserved credit balance,  
26 as determined on a cash basis, remaining in the General Fund and (ii) one and one-half  
27 percent (1.5%) of the replacement value of all State buildings supported from the General  
28 Fund, at the end of each fiscal year to the Repairs and Renovations Reserve Account as  
29 provided in G.S. 143-15.3A. The General Assembly may appropriate that part of the  
30 anticipated General Fund credit balance not expected to be reserved to the Savings  
31 Reserve Account, the Public School Facilities Trust Fund, or the Repairs and  
32 Renovations Reserve Account only for capital improvements or other one-time  
33 expenditures. As used in this section, the term 'unreserved credit balance' means the  
34 credit balance amount, as determined on a cash basis, before funds are reserved by the  
35 Controller to the Savings Reserve Account or the Repairs and Renovations Reserve Account  
36 pursuant to G.S. 143-15.3 and G.S. 143-15.3A, in accordance with this section."

37 Sec. 3. Effective July 1, 1996, all unexpended funds in the Critical School  
38 Facility Needs Fund, as provided for in G.S. 115C-489.1, are transferred to the  
39 Department of Public Instruction to be credited to the Public School Facilities Trust Fund  
40 created in G.S. 115C-499.1.

41 Sec. 4. Article 34A of Chapter 115C of the General Statutes is repealed.

42 Sec. 5. G.S. 115C-546.1 reads as rewritten:

43 **"§ 115C-546.1. Creation of Fund; administration.**

1 (a) There is created the Public School Building Capital Fund. The Fund shall be  
2 used to assist county governments in meeting their public school building capital needs.

3 ~~(b) Each calendar quarter, the Secretary of Revenue shall remit to the State~~  
4 ~~Treasurer for credit to the Public School Building Capital Fund an amount equal to two~~  
5 ~~thirty-firsts (2/31) of the net collections received during the previous quarter by the~~  
6 ~~Department of Revenue under G.S. 105-130.3 minus two million five hundred thousand~~  
7 ~~dollars (\$2,500,000). All funds deposited in the Public School Building Capital Fund~~  
8 ~~shall be invested as provided in G.S. 147-69.2 and G.S. 147-69.3.~~

9 (c) The Fund shall be administered by the ~~Office of State Budget and~~  
10 ~~Management.~~ State Board of Education."

11 Sec. 6. Effective 30 days after the first day on which the Public School  
12 Building Capital Fund created in G.S. 115C-546.1(a) has a zero balance, Article 38A of  
13 Chapter 115C of the General Statutes is repealed.

14 Sec. 7. Sections 4 and 5 of this act and this section become effective June 30,  
15 1996. The remainder of this act becomes effective July 1, 1996.