

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 1104*
Committee Substitute Favorable 6/10/96

Short Title: School Facilities Trust Fund.

(Public)

Sponsors:

Referred to:

May 14, 1996

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

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 of the net collections
35 received during the previous quarter by the Department of Revenue
36 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 which is established as a separate account in the Trust Fund.

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 in the list compiled on May 29,
10 1988, by the Commission on School Facility Needs, established under Article 34A of this
11 Chapter. These grants shall be made in the order of priority and in the amounts set forth
12 in the 1988 list. After the final grant is made under this subsection, any unexpended
13 revenue shall be placed in the School Capital Outlay Account established under
14 subsection (c) of this section. In addition, after the final grant is made under this
15 subsection, two million five hundred thousand dollars (\$2,500,000) shall be placed in the
16 School Capital Outlay Account on a quarterly basis and allocated to counties under
17 subsection (c) of this 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 which is established as a
20 separate account in the Trust Fund, to be allocated to the counties on the following
21 distribution basis:

- 22 (1) Forty percent (40%) shall be allocated on a per average daily
23 membership basis.
24 (2) Thirty-five percent (35%) shall be allocated on the basis of ability to
25 pay.
26 (3) Twenty-five percent (25%) shall be allocated on the basis of high
27 growth.

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

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

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

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

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

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

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

15 "**§ 143-15.2. Use of General Fund credit balance.**

16 The State Controller shall reserve up to one-fourth of any unreserved credit balance,
17 as determined on a cash basis, remaining in the General Fund at the end of each fiscal
18 year to the Savings Reserve Account as provided in G.S. 143-15.3, unless that would
19 result in the Savings Reserve Account having funds in excess of five percent (5%) of the
20 amount appropriated the preceding year for the General Fund operating budget, including
21 local government tax-sharing funds; in that case, only funds sufficient to reach the five
22 percent (5%) level shall be reserved. ~~credited to the Savings Reserve Account and the~~
23 ~~difference between the amount needed to reach the five percent (5%) level and the~~
24 ~~amount equal to one-fourth of the unreserved credit balance shall be credited to the~~
25 ~~Public School Facilities Trust Fund, established under G.S. 115C-499.1. The State~~
26 Controller shall also reserve the lesser of (i) one-fourth of any unreserved credit balance,
27 as determined on a cash basis, remaining in the General Fund and (ii) three percent (3%)
28 of the replacement value of all State buildings supported from the General Fund, at the
29 end of each fiscal year to the Repairs and Renovations Reserve Account as provided in
30 G.S. 143-15.3A. The General Assembly may appropriate that part of the anticipated
31 General Fund credit balance not expected to be reserved to the Savings Reserve Account
32 ~~Account, the Public School Facilities Trust Fund, or the Repairs and Renovations~~
33 Reserve Account only for capital improvements or other one-time expenditures. As used
34 in this section, the term 'unreserved credit balance' means the credit balance amount, as
35 determined on a cash basis, before funds are reserved by the Controller ~~to the Savings~~
36 ~~Reserve Account or the Repairs and Renovations Reserve Account pursuant to G.S. 143-15.3~~
37 ~~and G.S. 143-15.3A. in accordance with this section."~~

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

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

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

1 **"§ 115C-546.1. Creation of Fund; administration.**

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

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

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

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

15 Sec. 7. Sections 4 and 5 of this act and this section become effective June 30,
16 1996. The remainder of this act becomes effective July 1, 1996.