

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 1104*
Committee Substitute Favorable 6/10/96
Committee Substitute #2 Favorable 6/13/96

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:

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

32 **"§ 115C-499.2. Creation of Fund.**

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

- 36 (1) Beginning July 1, 1997, the Secretary of Revenue shall, on a quarterly
37 basis, deposit an amount equal to two thirty-firsts (2/31) of the net
38 collections received during the previous quarter by the Department of
39 Revenue under G.S. 105-130.3.
- 40 (2) The portion of the unreserved credit balance of the General Fund that is
41 credited to the Trust Fund under G.S. 143-15.2.
- 42 (3) Any unexpended funds remaining in the Critical School Facility Needs
43 Fund on July 1, 1997.

1 (4) Interest and other investment income earned by the Trust Fund.

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

4 **"§ 115C-499.3. Use of revenue in the Trust Fund; match requirements.**

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

10 (b) Of the revenue received under G.S. 115C-499.2(1), ten million dollars
11 (\$10,000,000) shall be used to provide annual grants to the counties that have the most
12 critical school facility needs as determined and ranked in the list compiled on May 29,
13 1988, by the Commission on School Facility Needs, established under Article 34A of this
14 Chapter. These grants shall be made in the order of priority and in the amounts set forth
15 in the 1988 list. After the final grant is made under this subsection, any unexpended
16 revenue shall be placed in the School Capital Outlay Account established under
17 subsection (c) of this section. In addition, after the final grant is made under this
18 subsection, two million five hundred thousand dollars (\$2,500,000) shall be placed in the
19 School Capital Outlay Account on a quarterly basis and allocated to counties under
20 subsection (c) of this section.

21 (c) Except as provided in subsections (a) and (b) of this section, revenue in the
22 Trust Fund shall be placed in the School Capital Outlay Account which is established as a
23 separate account in the Trust Fund, to be allocated to the counties on the following
24 distribution basis:

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

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

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

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

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

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

1 (e) A county is not required to match funds allocated to that county on the basis of
2 ability to pay. A county shall match funds allocated under subsection (a) of this section
3 on the basis of one dollar (\$1.00) of local funds for every three dollars (\$3.00) of State
4 funds. A county shall match funds allocated under subsection (c) of this section on the
5 basis of high growth and the basis of average daily membership at the rate of matching
6 funds equal to three cents (3¢) times the county's ability to pay rank for every one dollar
7 (\$1.00) of allocated funds. The match requirement may be satisfied by non-State
8 expenditures for public school capital outlay projects made on or after January 1, 1992.
9 Non-State expenditures for public school capital outlay projects shall be used only one
10 time to meet the match requirements under this section. Non-State expenditures for
11 public school capital outlay projects used to meet the match requirements required by any
12 State bonds for public school capital outlay projects on or after July 1, 1996, may not be
13 used to meet the match requirements under this section.

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

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

18 **"§ 143-15.2. Use of General Fund credit balance.**

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

41 Sec. 3. Effective July 1, 1997, all unexpended funds in the Critical School
42 Facility Needs Fund, as provided for in G.S. 115C-489.1, are transferred to the

1 Department of Public Instruction to be credited to the Public School Facilities Trust Fund
2 created in G.S. 115C-499.1.

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

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

5 **"§ 115C-546.1. Creation of Fund; administration.**

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

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

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

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

19 Sec. 7. G.S. 115C-489.2(b) reads as rewritten:

20 "(b) The Commission on School Facility Needs shall make grants from the Fund to
21 the counties which it determines, according to the following criteria, have the greatest
22 critical school facility needs in relation to resources available to pay for school facility
23 needs:

24 (1) The critical school facility needs in the county, as determined by the
25 Commission on School Facility Needs pursuant to G.S. 115C-489.4.
26 (Until the Commission issues a final report on critical school facility
27 needs in the counties, the Commission shall use the preliminary report.)

28 (2) Ability to pay as measured by:

29 a. The per pupil adjusted property tax base in the county. The per
30 pupil adjusted property tax base in the county is the property tax
31 base in the county adjusted using the sales assessment ratio study
32 performed by the Department of Revenue, and

33 b. The per capita income of the county.

34 (3) Any critical nonschool needs that may force the county to divert its
35 resources from school facilities.

36 Beginning July 1, 1996, the Commission shall make grants from the Fund based on
37 the grant priority list established in 1988 by the Commission until the next 11 local
38 school administrative units on that priority list are funded."

39 Sec. 8. Section 7 of this act is effective upon ratification and expires June 30,
40 1997. Sections 4 and 5 of this act and this section become effective June 30, 1997. The
41 remainder of this act becomes effective July 1, 1997.