



This Bill Analysis reflects the contents of the bill as it was presented in committee.

# SENATE BILL 462: Public Authorities/Nonprofit Corporations

2015-2016 General Assembly

<b>Committee:</b>	House Judiciary IV	<b>Date:</b>	June 10, 2015
<b>Introduced by:</b>	Sen. Hartsell	<b>Prepared by:</b>	Kara McCraw
<b>Analysis of:</b>	PCS to Second Edition S462-CSTC-44		Committee Counsel, Samantha Yarborough, Legal Extern

**SUMMARY:** Senate Bill 462 would authorize a public authority to establish, own, and operate a nonprofit corporation with tax-exempt status.

The PCS would make the following changes:

- Allow a public authority to control, rather than own, a nonprofit.
- Require the nonprofit be created to further the authorized purposes of the public authority.
- Prohibit the established nonprofit from having regulatory or enforcement powers.

**CURRENT LAW:** “Public authority” is defined in Article 3 of Chapter 159, the Local Government Budget and Fiscal Control Act (LGBFCA), as:

- a municipal corporation (other than a unit of local government) that is not subject to the State Budget Act (Chapter 143C of the General Statutes), or
- a local governmental authority, board, commission, council, or agency that: (i) is not a municipal corporation, (ii) is not subject to the State Budget Act, and (iii) operates on an area, regional, or multi-unit basis, and the budgeting and accounting systems of which are not fully a part of the budgeting and accounting systems of a unit of local government. G.S. 159-7(10).

The LGBFCA requires units of local government to conform to certain standards on financial matters, with oversight provided by the Local Government Commission. It does not currently authorize a public authority to establish, control, or operate a nonprofit corporation with tax-exempt status.

**BILL ANALYSIS:** The PCS to Senate Bill 462 would authorize a public authority to establish, control, and operate a nonprofit corporation that is created under Chapter 55A of the General Statutes and is a tax-exempt organization under the Internal Revenue Code. The purposes of the nonprofit corporation would be limited to those that further the authorized purposes of the public authority, and the nonprofit corporations would not be permitted to have regulatory or enforcement powers.

**EFFECTIVE DATE:** SB 462 would become effective when it becomes law.

**BACKGROUND:** Types of public authorities include:

- Housing Authorities: G.S. Chapter 157, Article 1
- Water and Sewer Authorities: G.S. Chapter 162A, Article 1
- Parking Authorities: G.S. Chapter 160A, Article 24
- Public Transportation Authorities: G.S. Chapter 160A, Article 25
- Public Health Authorities: G.S. Chapter 130A, Article 2, Part 1B
- Hospital Authorities: G.S. Chapter 131E, Art. 2, Part 2

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