



# SENATE BILL 5: Union County Local Act

2015-2016 General Assembly

**Committee:** Senate State and Local Government

**Date:** March 15, 2015

**Introduced by:** Sen. Tucker

**Prepared by:** R. Erika Churchill

**Analysis of:** First Edition

Committee Counsel

**SUMMARY:** *Senate Bill 5 would allow the Union County Board of Commissioners to determine the amounts to be appropriated to the Union County Board of Education for the 2015-16 fiscal year; and allow the Union County Board of Education to initiate the statutory dispute resolution process if that Board determines it is necessary.*

**CURRENT LAW:** Each local board of education is required to operate under an annual balanced budget resolution. A budget resolution is balanced when the sum of estimated net revenues and appropriated fund balances is equal to appropriations. G.S. 115C-425. Generally, local boards of education do not have taxing authority. Instead, local appropriations for current expense and capital are made by the board of county commissioners. The local board of education is required to submit its requested budget to the county commissioners no later than May 15th of each year. The county commissioners are to adopt a budget ordinance, setting the tax rate for the county, on or before July 1st of each year. The budget ordinance adopted by the county commissioners is to address appropriations local current expenses and capital outlays for the local board of education.

G.S. 115C-426 requires local school administrative units to maintain at least the following funds:

- **Local current expense fund.** Include appropriations sufficient for the current operating expense of the public school system in conformity with the educational goals and policies of the State and the local board of education, within the financial resources and consistent with the fiscal policies of the board of county commissioners.
- **Capital outlay fund.** Includes appropriations for:
  - The acquisition of real property for school purposes, including school sites, playgrounds, athletic fields, administrative headquarters, and garages.
  - The acquisition, construction, reconstruction, enlargement, renovation, or replacement of buildings and other structures, including buildings for classrooms and laboratories, physical and vocational educational purposes, libraries, auditoriums, gymnasiums, administrative offices, storage, and vehicle maintenance.
    - The cost of acquiring or constructing a new building, or reconstructing, enlarging, or renovating an existing building, and includes:
      - Cost of all real property and interests in real property.
      - All plants, works, appurtenances, structures, facilities, furnishings, machinery, and equipment necessary or useful in connection therewith.
      - Financing charges
      - Cost of plans, specifications, studies, reports, and surveys.
      - Legal expenses
      - All other costs necessary or incidental to the construction, reconstruction, enlargement, or renovation.

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- The acquisition or replacement of furniture and furnishings, instructional apparatus, data-processing equipment, business machines, and similar items of furnishings and equipment.
- The acquisition of school buses as additions to the fleet.
- The acquisition of activity buses and other motor vehicles.
- Such other objects of expenditure as may be assigned to the capital outlay fund by the uniform budget format.

Within the capital outlay fund, no contract for the purchase of a site may be executed, nor any funds expended, without the approval of the board of county commissioners as to the amount to be spent for the site. If there is a disagreement between a board of education and a board of county commissioners as to the amount to be spent for the site, the procedure provided in G.S. 115C-431 (see below) is to be used to settle the disagreement, as far as it is applicable.

If there is a dispute over the amount appropriated, G.S. 115C-431 governs the procedure for resolution of that dispute. If the dispute is unresolved after a joint board meeting, the parties must start mediation. If the mediation is unsuccessful, an action may be filed in superior court and will be given precedence over other business of the court. The court must find the facts as to the amount of money necessary to maintain a system of free public schools and the amount of money needed from the county to make up the total. The issues of fact may be tried by a jury and the issue submitted to the jury would be "what amount of money is needed from sources under the control of the board of county commissioners to maintain a system of free public schools." When the facts have been found, the court must enter judgment ordering the board of county commissioners to appropriate a sum to the local school administrative unit and to levy property taxes that may be necessary to make up the sum when added to other available revenues.

The local board of education is required to adopt a budget resolution after the board of county commissioners makes its appropriation, or after the dispute resolution process set out in G.S.115C-431 (described above) has concluded.

For Union County, S.L. 2014-8 and 2014-9 amended this general process and specifically did all of the following:

1. Prohibited the Union County Board of Education from initiating litigation over the sufficiency of the local appropriation to the local current expense fund, the capital outlay fund, or both for the 2014-15 and 2015-16 fiscal years.
2. Set the amount the Union County Board of Commissioners would appropriate for current expense and capital outlay for those two fiscal years:
  - **Current expenses:**
    - 2014-15: at least \$87,097,884
    - 2015-16: at least \$87,097,884 plus inflation equal to most recent CPI-U index and any increase in ADM
  - **Capital outlay:**
    - 2014-15: at least \$19,531,582
    - 2015-16: at least \$19,786,024

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3. Required the Union County Board of Commissioners and the Union County Board of Education to engage in joint, multi-year planning for capital expenses of the Union County Schools.

**BILL ANALYSIS:** Senate Bill 5 would repeal the specific appropriation amounts by the Union County Board of Commissioners to the Union County Board of Education for the 2015-16 fiscal year. The bill would also permit the Union County Board of Education to initiate the dispute resolution process set out in the G.S. 115C-431, if so determined by the Union County Board of Education.

**EFFECTIVE DATE:** Effective when it becomes law.