



# SENATE BILL 888: Buncombe School Capital Fund Commission.

2016-2017 General Assembly

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<b>Committee:</b>	Senate Finance	<b>Date:</b>	June 14, 2016
<b>Introduced by:</b>	Sen. Apodaca	<b>Prepared by:</b>	Nicholas Giddings
<b>Analysis of:</b>	PCS to First Edition S888-CSR-B-60		Committee Co-Counsel

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**SUMMARY:** *Senate Bill 888 would rewrite Chapter 134 of the 1983 Session Laws to alter the distribution of Article 39 sales tax revenues by the Buncombe School Capital Fund Commission ("Commission"). This bill would create one account for Commission funds and provide that it be distributed between the Buncombe County School System and the Asheville City School System based on priority of needs rather than on a pro-rata basis according to average daily membership. The PCS makes clarifying changes. The PCS before the Committee makes one additional clarifying change at the request of the Buncombe County manager on page 2, lines 32 and 33.*

**CURRENT LAW:** The 1¢ local sales tax revenue under Article 39 may be used by a county for any public purpose. In 1983, the General Assembly enacted local legislation for Buncombe County that required Buncombe County to use 50% of the Article 39 local sales tax revenue for public school capital construction.

Chapter 134 of the 1983 Session Laws created a Commission of five members and provided that 50% of the Article 39 sales tax revenue would be paid to the Commission. The Article 39 sales tax revenue is credited to a capital reserve fund and used to finance public school capital construction, public school improvement and renovation projects exceeding \$50,000, or to retire any indebtedness of a local school board. The Commission was to recommend projects for funding to the county board of commissioners. The final funding decisions rest with the board of county commissioners and money in the fund are subject to appropriation by the board of county commissioners.

The money received by the Commission must be divided into two accounts: one for Buncombe County and another for the City of Asheville. The funds in the capital reserve fund are distributed to the accounts on a pro-rata basis according to average daily membership.

**BILL ANALYSIS:** Senate Bill 888 would remove the requirement that the funds be divided between two accounts. It would reconstitute the Commission and give the Commission the responsibility of prioritizing the needs of both the Buncombe County and the Asheville City school systems and recommending to the board of county commissioners capital school projects for funding from the Article 39 sale tax revenue dedicated to public school capital funding in Buncombe County.

The bill would make the following changes to Chapter 134 of the 1983 Session Laws:

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- Reconstitutes the Commission and allows the Buncombe County Board of Commissioners to appoint two Commission members and removes the Asheville City Council<sup>1</sup> from making an appointment.
- Consolidates the Buncombe County and Asheville City accounts into one account called the Public School Capital Needs Fund.
- Provides that any projects currently appropriated carry forward and remaining balances in the two accounts roll forward into the Public School Capital Needs Fund.
- Requires that the Public School Capital Needs Fund be used to finance public school capital construction, public school improvement and renovation projects exceeding \$100,000, or to retire any indebtedness of a local school board.
- Requires the Commission to use funds from the Public School Capital Needs Fund for projects in Buncombe County and the City of Asheville based on priority of needs rather than dividing the funds pro-rata according to average daily membership between Buncombe County and the City of Asheville.
- Clarifies that Article 39 sales and use tax revenue distributed to Buncombe County under G.S. 105-472 is the only sales and use tax revenue paid to the Commission.
- Repeals outdated language that is no longer applicable:
  - The special property tax levy no longer exists.
  - No State sales tax revenues are provided to counties.

**EFFECTIVE DATE:** This act is effective when it becomes law.

**BACKGROUND:** Currently, Buncombe County has an average daily membership nearly six times that of the City of Asheville. Article 39 sales tax is the largest revenue source for the capital reserve fund. Chapter 134 of Session Law 1983 requires this to be distributed to each account pro-rata based on average daily membership. Based on projections for the year 2017, the account for Buncombe County is projected to receive \$15,091,744 whereas the account for Asheville City Schools is projected to receive \$2,726,287. To meet its expenses, the Asheville City Schools account will receive a transfer from the General Fund of roughly \$5,000,000. The Buncombe County account is not projected to receive any subsidy from the General Fund to cover expenses. This bill is supported by the Superintendent of Buncombe County schools as well as the County Manager of Buncombe County.

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<sup>1</sup> The City of Asheville is not responsible for providing funds for public school capital needs.