

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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SENATE BILL 1495*

Short Title: Supplemental Funding Changes.

(Public)

Sponsors: Senators Perdue, Lee, Ward, Winner of Mecklenburg, Smith, Warren, and Hartsell.

Referred to: Education/High Education.

May 25, 1994

1 A BILL TO BE ENTITLED
2 AN ACT TO DEFINE "SUPPLANT" IN THE SUPPLEMENTAL FUNDING
3 FORMULA FOR LOW-WEALTH AND SMALL SCHOOL SYSTEMS AND TO
4 MAKE CHANGES TO REPORTING REQUIREMENTS.

5 The General Assembly of North Carolina enacts:

6 Section 1. Subsection (c) of Section 138 of Chapter 321 of the 1993 Session
7 Laws reads as rewritten:

8 "(c) **Definitions.** – As used in this section:

- 9 (1) 'Anticipated county property tax revenue availability' means the county
10 adjusted property tax base multiplied by the effective State average tax
11 rate.
12 (2) 'Anticipated total county revenue availability' means the sum of the
13 a. Anticipated county property tax revenue availability,
14 b. Local sales and use taxes received by the county that are levied
15 under Chapter 1096 of the 1967 Session Laws or under
16 Subchapter VIII of Chapter 105 of the General Statutes,
17 c. Food stamp exemption reimbursement received by the county
18 under G.S. 105-164.44C,
19 d. Homestead exemption reimbursement received by the county
20 under G.S. 105-277.1A,
21 e. Inventory tax reimbursement received by the county under G.S.
22 105-275.1 and G.S. 105-277A,

- 1 f. Intangibles tax distribution and reimbursement received by the
2 county under G.S. 105-213 and G.S. 105-213.1, and
3 g. Fines and forfeitures deposited in the county school fund,
4 for the most recent year for which data are available.
- 5 (3) 'Anticipated total county revenue availability per student' means the
6 anticipated total county revenue availability for the county divided by
7 the average daily membership of the county.
- 8 (4) 'Anticipated State average revenue availability per student' means the
9 sum of all anticipated total county revenue availability divided by the
10 average daily membership for the State.
- 11 (5) 'Average daily membership' means average daily membership as
12 defined in the North Carolina Public Schools Allotment Policy
13 Manual, adopted by the State Board of Education. If a county contains
14 only part of a local school administrative unit, the average daily
15 membership of that county includes all students who reside within the
16 county and attend that local school administrative unit.
- 17 (6) 'County adjusted property tax base' shall be computed as follows:
18 a. Subtract the present-use value of agricultural land, horticultural
19 land, and forestland in the county, as defined in G.S. 105-277.2,
20 from the total assessed real property valuation of the county,
21 b. Adjust the resulting amount by multiplying by a weighted
22 average of the three most recent annual sales assessment ratio
23 studies,
24 c. Add to the resulting amount the:
25 1. Present-use value of agricultural land, horticultural land,
26 and forestland, as defined in G.S. 105-277.2,
27 2. Value of property of public service companies,
28 determined in accordance with Article 23 of Chapter 105
29 of the General Statutes, and
30 3. Personal property value,
31 for the county.
- 32 (7) 'County adjusted property tax base per square mile' means the county
33 adjusted property tax base divided by the number of square miles of
34 land area in the county.
- 35 (8) 'County wealth as a percentage of State average wealth' shall be
36 computed as follows:
37 a. Compute the percentage that the county per capita income is of
38 the State per capita income and weight the resulting percentage
39 by a factor of five-tenths,
40 b. Compute the percentage that the anticipated total county
41 revenue availability per student is of the anticipated State
42 average revenue availability per student and weight the
43 resulting percentage by a factor of four-tenths,

- 1 c. Compute the percentage that the county adjusted property tax
2 base per square mile is of the State adjusted property tax base
3 per square mile and weight the resulting percentage by a factor
4 of one-tenth,
- 5 d. Add the three weighted percentages to derive the county wealth
6 as a percentage of the State average wealth.
- 7 (9) 'Effective county tax rate' means the actual county tax rate multiplied
8 by a weighted average of the three most recent annual sales assessment
9 ratio studies.
- 10 (10) 'Effective State average tax rate' means the average of effective county
11 tax rates for all counties.
- 12 (10a) 'Local current expense funds' means the most recent county current
13 expense appropriations to public schools, as reported by counties in the
14 annual county financial information report to the State Treasurer.
- 15 (11) 'Per capita income' means the average for the most recent three years
16 for which data are available of the per capita income according to the
17 most recent report of the United States Department of Commerce,
18 Bureau of Economic Analysis, including any reported modifications
19 for prior years as outlined in the most recent report.
- 20 (12) 'Sales assessment ratio studies' means sales assessment ratio studies
21 performed by the Department of Revenue under G.S. 105-289(h).
- 22 (13) 'State average current expense appropriations per student' means the
23 most recent State total of county current expense appropriations to
24 public schools, as reported by counties in the annual county financial
25 information report to the State Treasurer, divided by the total State
26 average daily membership.
- 27 (14) 'State average adjusted property tax base per square mile' means the
28 sum of the county adjusted property tax bases for all counties divided
29 by the number of square miles of land area in the State.
- 30 (14a) 'Supplant' means to decrease local per student current expense
31 appropriations from one fiscal year to the next fiscal year.
- 32 (15) 'Weighted average of the three most recent annual sales assessment
33 ratio studies' means the weighted average of the three most recent
34 annual sales assessment ratio studies in the most recent years for which
35 county current expense appropriations and adjusted property tax
36 valuations are available. If real property in a county has been revalued
37 one year prior to the most recent sales assessment ratio study, a
38 weighted average of the two most recent sales assessment ratios shall
39 be used. If property has been revalued the year of the most recent
40 sales assessment ratio study, the sales assessment ratio for the year of
41 revaluation shall be used."

42 Sec. 2. Subsection (d) of Section 138 of Chapter 321 of the 1993 Session
43 Laws reads as rewritten:

1 "(d) **Eligibility for funds.** – Except as provided in subsection (h) of this section,
2 ~~The~~the State Board of Education shall allocate these funds to local school
3 administrative units located in whole or in part in counties in which the county wealth
4 as a percentage of the State average wealth is less than one hundred percent (100%)."

5 Sec. 3. Subsection (h) of Section 138 of Chapter 321 of the 1993 Session
6 Laws reads as rewritten:

7 "(h) **Nonsupplant requirement.** – A county in which a local school
8 administrative unit receives funds under this section shall use the funds to supplement
9 local current expense funds and shall not supplant existing State and local funding for
10 ~~public schools.~~local current expense funds. After July 1, 1994, the State Board of
11 Education shall not allocate funds under this section to a county found to have used
12 these funds to supplant local per student current expense funds. Unless a county can
13 show either (i) that extraordinary circumstances caused the county to supplant local
14 current expense funds with funds allocated under this section; or (ii) that it has remedied
15 any deficiency, the State Board of Education shall make a finding that a county has used
16 these funds to supplant local current expense funds in the prior year, or the year for
17 which the most recent data are available, if the average of the local per student current
18 expense appropriation for the three most recent years is less than ninety-five percent
19 (95%) of the greater of either (i) the local per student current expense appropriation for
20 the 1991-92 fiscal year; or (ii) the average local per student current expense
21 appropriation of the county for the three fiscal years immediately prior to the current
22 year. The State Board of Education shall adopt rules to implement this section.

23 ~~The Local Government Commission shall analyze the budgets and the expenditures~~
24 ~~of school administrative units that receive funds under this section in light of their~~
25 ~~budgets and expenditures for the previous year and shall determine whether those funds~~
26 ~~were used to supplement and not supplant State and local funding for public schools.~~
27 ~~The Local Government Commission shall report the results of its study to the State~~
28 ~~Board of Education, to the Joint Legislative Education Oversight Committee, and to the~~
29 ~~Appropriations Committees of the Senate and the House of Representatives, prior to~~
30 ~~May 1, 1994, and May 1, 1995."~~

31 Sec. 4. Subsection (i) of Section 138 of Chapter 321 of the 1993 Session
32 Laws reads as rewritten:

33 "(i) **Reports.** – Counties that receive funds under this section shall report to the
34 State Board of Education before March 1 each year on how they are using the funds for
35 the fiscal year. The State Board of Education shall report to the Joint Legislative
36 Education Oversight Committee prior to May 1, 1994, and May 1, ~~1995,~~1995, and
37 annually thereafter on how the funds are being used. In its report the State Board shall
38 analyze local appropriations and identify counties that supplant funds.

39 The Local Government Commission shall report on March 1, 1995, and annually
40 thereafter on county appropriations to local school current expense funds to the State
41 Board of Education and to the Appropriations Committees of the Senate and House of
42 Representatives."

43 Sec. 5. Section 138.1 of Chapter 321 of the 1993 Session Laws reads as
44 rewritten:

1 "Sec. 138.1. (a) **Funds for Small School Systems.** – Except as provided in
2 subsection (b) of this section, ~~The~~the State Board of Education shall allocate funds
3 appropriated for small school system supplemental funding (i) to each county school
4 administrative unit with an average daily membership of less than 3,000 students and
5 (ii) to each county school administrative unit with an average daily membership of from
6 3,000 to 4,000 students if the county in which the local school administrative unit is
7 located has a county adjusted property tax base per student that is below the State
8 adjusted property tax base per student and if the total average daily membership of all
9 local school administrative units located within the county is from 3,000 to 4,000
10 students. The allocation formula shall:

- 11 (1) Round all fractions of positions to the next whole position.
- 12 (2) Provide four additional regular classroom teachers in counties in which
13 the average daily membership per square mile is greater than four and
14 six additional regular classroom teachers in counties in which the
15 average daily membership per square mile is four or less.
- 16 (3) Provide additional program enhancement teachers adequate to offer
17 the standard course of study.
- 18 (4) Change the duty-free period allocation to one teacher assistant per 400
19 average daily membership.
- 20 (5) Provide a base for the consolidated funds allotment of at least one
21 hundred fifty thousand dollars (\$150,000), excluding textbooks.
- 22 (6) Allot vocational education funds for grade 6 as well as for grades 7-12.

23 If funds appropriated for each fiscal year for small school system supplemental funding
24 are not adequate to fund fully the program, the State Board of Education shall reduce
25 the amount allocated to each county school administrative unit on a pro rata basis. This
26 formula is solely a basis for distribution of supplemental funding for certain county
27 school administrative units and is not intended to reflect any measure of the adequacy of
28 the educational program or funding for public schools. The formula is also not intended
29 to reflect any commitment by the General Assembly to appropriate any additional
30 supplemental funds for such county administrative units.

31 (b) **Nonsupplant requirement.** – A county in which a local school
32 administrative unit receives funds under this section shall use the funds to supplement
33 local current expense funds and shall not supplant existing State and local funding for
34 public schools. ~~local current expense funds.~~ After July 1, 1994, the State Board of
35 Education shall not allocate funds under this section to a county found to have used
36 these funds to supplant local per student current expense funds. Unless a county can
37 show either (i) that extraordinary circumstances caused the county to supplant local
38 current expense funds with funds allocated under this section; or (ii) that it has remedied
39 any deficiency, the State Board of Education shall make a finding that a county has used
40 these funds to supplant local current expense funds in the prior year, or the year for
41 which the most recent data are available, if the average of the local per student current
42 expense appropriation for the three most recent years is less than ninety-five percent
43 (95%) of the greater of either (i) the local per student current expense appropriation for
44 the 1991-92 fiscal year; or (ii) the average local per student current expense

1 appropriation of the county for the three fiscal years immediately prior to the current
2 year. The State Board of Education shall adopt rules to implement this section.

3 ~~The Local Government Commission shall analyze the budgets and the expenditures~~
4 ~~of school administrative units that receive funds under this section in light of their~~
5 ~~budgets and expenditures for the previous year and shall determine whether those funds~~
6 ~~were used to supplement and not supplant State and local funding for public schools.~~
7 ~~The Local Government Commission shall report the results of its study to the State~~
8 ~~Board of Education, the Joint Legislative Oversight Committee, and the Appropriations~~
9 ~~Committees of the Senate and the House of Representatives, prior to May 1, 1994 and~~
10 ~~May 1, 1995.~~

11 (c) **Definitions.** – As used in this section:

12 (1) 'Average daily membership' means average daily membership as
13 defined in the North Carolina Public Schools Allotment Policy
14 Manual, adopted by the State Board of Education.

15 (2) 'County adjusted property tax base per student' means the total
16 assessed property valuation for each county, adjusted using a weighted
17 average of the three most recent annual sales assessment ratio studies,
18 divided by the total number of students in average daily membership
19 who reside within the county.

20 (2a) 'Local current expense funds' means the most recent county current
21 expense appropriations to public schools, as reported by counties in the
22 annual county financial information report to the State Treasurer.

23 (3) 'Sales assessment ratio studies' means sales assessment ratio studies
24 performed by the Department of Revenue under G.S. 105-289(h).

25 (4) 'State adjusted property tax base per student' means the sum of all
26 county adjusted property tax bases divided by the total number of
27 students in average daily membership who reside within the State.

28 (4a) 'Supplant' means to decrease local per student current expense
29 appropriations from one fiscal year to the next fiscal year.

30 (5) 'Weighted average of the three most recent annual sales assessment
31 ratio studies' means the weighted average of the three most recent
32 annual sales assessment ratio studies in the most recent years for which
33 county current expense appropriations and adjusted property tax
34 valuations are available. If real property in a county has been revalued
35 one year prior to the most recent sales assessment ratio study, a
36 weighted average of the two most recent sales assessment ratios shall
37 be used. If property has been revalued the year of the most recent
38 sales assessment ratio study, the sales assessment ratio for the year of
39 revaluation shall be used.

40 (d) **Reports.** – Counties that receive funds under this section shall report to the
41 State Board of Education before March 1 each year on how they are using the funds for
42 the fiscal year. The State Board of Education shall report to the Joint Legislative
43 Education Oversight Committee prior to May 1, 1994, and May 1, ~~1995,~~ 1995, and

1 annually thereafter on how the funds are being used. In its report the State Board shall
2 analyze local appropriations and identify counties that supplant funds.

3 The Local Government Commission shall report on March 1, 1995, and annually
4 thereafter on county appropriations to local school current expense funds to the State
5 Board of Education and to the Appropriations Committees of the Senate and House of
6 Representatives."

7 Sec. 6. This act becomes effective July 1, 1994.