

April 18, 2007

H 1740. SCHOOL BOARD FISCAL ACCOUNTABILITY ACT. Filed 4/18/07. *TO PROVIDE FOR FISCAL ACCOUNTABILITY OF SCHOOL BOARDS BY AUTHORIZING LOCAL BOARDS TO RAISE REVENUE FOR THE SUPPORT OF PUBLIC EDUCATION AND BY MAKING THOSE BOARDS RESPONSIBLE TO THE VOTERS FOR THE DECISIONS.*

To be summarized in tomorrow's *Daily Bulletin*.

Intro. by Glazier.

GS 115C, 159

April 19, 2007

H 1740. SCHOOL BOARD FISCAL ACCOUNTABILITY ACT. Filed 4/18/07. *TO PROVIDE FOR FISCAL ACCOUNTABILITY OF SCHOOL BOARDS BY AUTHORIZING LOCAL BOARDS TO RAISE REVENUE FOR THE SUPPORT OF PUBLIC EDUCATION AND BY MAKING THOSE BOARDS RESPONSIBLE TO THE VOTERS FOR THE DECISIONS.*

This act confers authority, beginning with the 2008-09 fiscal year, on eligible local boards of education (LBEs) to levy and collect property taxes for the support of public education. Provides that an LBE is eligible if it satisfies the following conditions: (1) the LBE is elected rather than appointed and (2) the LBE and board of commissioners of each county in which the local education agency (LEA) is located have passed resolutions authorizing the school board to levy taxes under this act.

Applicability of Local Government Budget and Fiscal Control Act. Provides that eligible LBEs granted tax-levying authority are to be considered a unit of local government under GS 159-7(b)(15) and follow the provisions of the Local Government Budget and Fiscal Control Act in GS Chapter 159, Article 3; however, the eligible LBEs are to continue to follow the budget format and structure in the School Budget and Fiscal Control Act. Directs that reports that the LBE is required to file with the Local Government Commission under GS 159-33, 159-33.1, and 159-34 are also to be filed with the State Board of Education (SBE). Designates the superintendent for the eligible LBE as the budget officer and provides that any questions regarding budget format and procedure be resolved by the Local Government Commission.

Property tax. Beginning with the budget to be prepared and adopted for the 2008-09 fiscal year, provides eligible LBEs with the same authority as a board of county commissioners to levy and collect taxes for purposes of public education on property located within the LEA. Specifies that LBEs are to have the same authority and follow the same procedures as a municipality under GS Chapter 105, Article 22, for the listing, assessment, and collection of the tax, with the following exceptions: (1) the LBE may not require property owners to list their property separately with the school unit but must use the county tax records and abstracts to identify the property subject to taxation by the LBE, (2) the LBE is to accept and adopt the appraisals and assessments fixed by the county, and (3) the LBE may appoint a tax collector or enter into an interlocal agreement with the county to allow the county's tax collector to serve the same function for the LBE. Because there will be a delay between the levying of the ad valorem taxes levied by the eligible LBEs for fiscal year 2008-09 and receipt of revenues from those taxes, the Local Government Commission and the State Budget Office are directed to assist each eligible LBE in developing plans to ensure that sufficient revenues are available for the operation of schools during the beginning portions of the initial fiscal year for the LBEs to exercise taxing authority. Provides that the provisions of GS 105-374(h) and GS 105-375(k) concerning joint foreclosure and consolidation of liens, respectively, apply to eligible LBEs to the same extent as other taxing units.

Prohibits an eligible LBE, for the 2008-09 fiscal year, from adopting a property tax rate greater than the rate needed to produce revenue sufficient to offset the county appropriations that will no longer be available to the public schools for the 2008-09 fiscal year, plus an amount necessary to cover the cost of living increase from July 1, 2007. Provides additional guidelines for eligible LBEs in determining the necessary tax rate for fiscal year 2008-09.

Local sales tax proceeds. Provides that in each county in which an LBE is authorized to levy and collect taxes under this act, the LBE receives a portion of the county's distribution from the net proceeds of the local sales and use tax under GS 105-472(b), 105-486(c), 105-501, and 105-520(c). Directs that this provision is not to affect the share of local sales and use tax

distributed to municipalities in the county. Directs that the LBE's share of the net proceeds of local sales and use tax be determined by the ad valorem method and provides additional guidelines for calculating the distribution of the net proceeds between LBEs and municipalities and allocation of the distribution.

Existing indebtedness. Directs that an eligible LBE enter into an interlocal agreement set by the Local Government Commission under which the LBE, beginning July 1, 2008, will make the payments due from any existing indebtedness of the county related to the construction of public school facilities for the LEA. Provides the percentage of sales and use tax proceeds that were paid to the county for capital outlay purposes is to be paid by the Secretary of Revenue to the eligible LBE rather than to the county. Requires the county to transfer to the eligible LBE any capital reserve fund that it has created under GS 159-18 for capital expenditures related to the construction of public school facilities.

Additionally authorizes eligible LBEs to issue bonds for public school facilities to the same extent and manner as a county.

Abolition of supplemental taxes. Repeals any supplemental taxes enacted for the support of public schools in LEAs that are authorized to levy and collect taxes under this act. Directs that GS Chapter 115C, Article 36, regarding voted tax supplements for school purposes, does not apply in counties with eligible LBEs.

Miscellaneous. Amends GS 159-160 and 159-168 to make conforming changes. Enacts new GS 115C-458.1 to grant the SBE additional authority to make loans directly to LBEs authorized to levy and collect taxes from the State Literary Fund and provides that the county has no responsibility for repayment of these direct loans to eligible LBEs. Amends GS 115C-452 to provide procedures for the distribution to eligible LBEs of proceeds of penalties, fines, and forfeitures collected in the General Court of Justice.

Provides guidelines on duties and responsibilities of LBEs that are authorized to levy and collect taxes under this act with regards to duties and responsibilities that would otherwise be allocated to the board of county commissioners. Provides that an LBE has no other taxing authority except as provided in this act. States that nothing in this act prohibits a board of county commissioners from providing additional financial support to an LBE at its discretion.

Intro. by Glazier.

GS 115C, 159

July 25, 2007

H 1740. SCHOOL BOARD FISCAL ACCOUNTABILITY ACT. Filed 4/18/07. House committee substitute makes the following changes to 1st edition. Makes terminology consistent, replacing *school board* with *local board of education*. Provides guidelines as to the timing of a local board of education exercising its authority to levy and collect taxes. Rewrites provision regarding a county's transfer of reserve funds to an eligible local board of education to delete reference to a particular year (was, 2007) and instead specifies that such a transfer occur as of July 1 of the fiscal year immediately preceding the initial fiscal year in which the eligible local boards of education have tax-levying authority. Makes organizational and technical changes. Rewrites the title.