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SENATE BILL DRS45176-MTa-65 (02/17)

Short Title: SBA Pay/Needs-Based Pub. Sch. Capital Fund. (Public)

Sponsors: Senators Tillman, Brown, and Hise (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE A PORTION OF LOTTERY REVENUES TO REFORM THE
COMPENSATION STRUCTURE FOR SCHOOL-BASED ADMINISTRATORS AND FOR
K-12 SCHOOL CONSTRUCTION BASED UPON COUNTY NEED AND ABILITY TO
PAY FOR SCHOOL CONSTRUCTION PROJECTS AND TO MAKE CHANGES TO
ADVERTISING COST LIMITATIONS IN THE NORTH CAROLINA EDUCATION
LOTTERY.

The General Assembly of North Carolina enacts:

PART I. PRINCIPAL SALARIES

SECTION 1.(a) Dollar Allotment. – For the 2017-2018 fiscal year, the Department of Public Instruction shall allot to each local school administrative unit a lump sum to provide compensation for the principals in that local school administrative unit at the discretion of each superintendent, in lieu of a salary schedule, as follows:

(1) These funds shall be allotted to each local school administrative unit based on the average total salary paid to a principal from State funds in the 2016-2017 fiscal year, plus an additional seven percent (7%), and then multiplied by the number of principal positions in that local school administrative unit for the 2017-2018 fiscal year.

(2) Notwithstanding subdivision (1) of this subsection, the following additional criteria shall apply:

a. The Department of Public Instruction shall allot sufficient additional funds to each local school administrative unit to ensure that any principal who contracted with a local school administrative unit in the 2016-2017 fiscal year and who continues in that contract in the 2017-2018 fiscal year shall receive at least as much as the principal earned under Section 9.2 of S.L. 2016-94, the 2016-2017 School-Based Administrator Salary Schedule.

b. The superintendent of each local school administrative unit shall compensate any principal described in sub-subdivision a. of this subdivision at least as much as the principal earned under Section 9.2 of S.L. 2016-94, the 2016-2017 School-Based Administrator Salary Schedule.

SECTION 1.(b) Notwithstanding G.S. 143C-5-2, there is appropriated from the Education Lottery Fund to the Department of Public Instruction the sum of thirteen million seven hundred seventy-one thousand six hundred fifty-two dollars (\$13,771,652) in recurring funds for



1 the 2017-2018 fiscal year to provide a dollar allotment for principals in accordance with this
2 section.

3 4 **PART II. PRINCIPAL BONUS PROGRAM**

5 **SECTION 2.(a)** The Department of Public Instruction shall allot a nonrecurring bonus
6 of two thousand six hundred dollars (\$2,600) to all principals working in the 2017-2018 school
7 year. Notwithstanding G.S. 135-1(7a), the bonuses awarded in accordance with this subsection are
8 not compensation under Article 1 of Chapter 135 of the General Statutes, the Teachers' and State
9 Employees' Retirement System.

10 **SECTION 2.(b)** Article 19 of Chapter 115C of the General Statutes is amended by
11 adding a new section to read:

12 **"§ 115C-285.5. Principal Bonus Program.**

13 (a) Program Established; Criteria. – The State Board of Education shall establish the
14 Principal Bonus Program (Program) to reward principal performance occurring over the course of
15 a year (the performance year), beginning with performance from the 2017-2018 school year, by
16 providing bonuses in the subsequent fiscal year (the payment year), beginning with the 2018-2019
17 fiscal year. Under the Program, a principal employed by a local board of education of a local
18 school administrative unit that is eligible to receive supplemental low-wealth funding from the
19 State Board of Education may receive in the payment year up to five, total, one-time, annual
20 bonuses of one thousand dollars (\$1,000), subject to the following additional criteria:

21 (1) At the discretion of the superintendent of the local school administrative unit, a
22 principal may receive bonuses in the payment year for any of the following
23 achievements occurring in the performance year:

24 a. Exhibiting strong leadership.

25 b. Improving the learning environment, including maintaining discipline in
26 the school.

27 c. Creating a positive community impression of the school, including
28 maintaining high morale at the school.

29 d. Improving the physical environment at the school, including the
30 appearance of the school.

31 (2) A principal shall receive a bonus in the payment year if the principal's school
32 has been designated by the State Board under G.S. 115C-83.15(f) as exceeding
33 expected growth in the performance year.

34 (b) Reporting. – No later than August 1 of each payment year, each local board of
35 education shall report to the Department of Public Instruction on the decisions made regarding
36 payment of the bonuses. This report shall include the following information:

37 (1) A list of principals in the local school administrative unit who earned one or
38 more bonuses.

39 (2) The name of the school in which each principal earning one or more bonuses
40 worked during the performance year.

41 (3) The number and category of bonuses, as defined in subdivisions (1) and (2) of
42 subsection (a) of this section, earned by each principal in the local school
43 administrative unit.

44 (4) The standards used by the superintendent of the local school administrative unit
45 to determine that a principal was entitled to a bonus under subdivision (1) of
46 subsection (a) of this section.

47 The Department of Public Instruction shall report this information to the Joint Legislative
48 Education Oversight Committee and the Fiscal Research Division no later than October 31 of each
49 payment year.

50 (c) Disbursement of Funds; Retirement Status. – Beginning with the 2018-2019 fiscal
51 year, the Department of Public Instruction shall allot funds to the local school administrative units

1 based on the information it receives pursuant to subsection (b) of this section. The bonuses related
2 to these funds shall be paid no later than October 31 of each year. Notwithstanding
3 G.S. 135-1(7a), the bonuses awarded in accordance with this section are not compensation under
4 Article 1 of Chapter 135 of the General Statutes, the Teachers' and State Employees' Retirement
5 System."

6 **SECTION 2.(c)** Notwithstanding G.S. 143C-5-2, there is appropriated from the
7 Education Lottery Fund to the Department of Public Instruction the sum of six million seven
8 hundred thousand dollars (\$6,700,000) in recurring funds for the 2017-2018 fiscal year to provide
9 bonuses to principals in accordance with this section.

10 11 **PART III. ASSISTANT PRINCIPAL SALARIES**

12 **SECTION 3.(a)** For the 2017-2018 fiscal year, assistant principals shall receive a
13 monthly salary based on the salary schedule for teachers who are classified as "A" teachers plus an
14 additional thirteen percent (13%). Years of experience for an assistant principal on the salary
15 schedule shall be measured by the total number of years the assistant principal has spent as a
16 teacher, an assistant principal, or both. For purposes of this section, an administrator with a
17 one-year provisional assistant principal's certificate shall be considered equivalent to an assistant
18 principal.

19 **SECTION 3.(b)** An assistant principal shall continue to receive any additional
20 State-funded percentage increases earned for the 1997-1998, 1998-1999, and 1999-2000 school
21 years for improvement in student performance or maintaining a safe and orderly school.

22 **SECTION 3.(c)** Longevity pay for assistant principals shall be as provided for State
23 employees under the North Carolina Human Resources Act.

24 **SECTION 3.(d)** Assistant principals with certification based on academic preparation
25 at the six-year degree level shall be paid a salary supplement of one hundred twenty-six dollars
26 (\$126.00) per month and at the doctoral degree level shall be paid a salary supplement of two
27 hundred fifty-three dollars (\$253.00) per month.

28 **SECTION 3.(e)** Participants in an approved full-time master's in-school
29 administration program shall receive up to a 10-month stipend at the beginning salary of an
30 assistant principal during the internship period of the master's program. The stipend shall not
31 exceed the difference between the beginning salary of an assistant principal plus the cost of
32 tuition, fees, and books and any fellowship funds received by the intern as a full-time student,
33 including awards of the Principal Fellows Program. The Principal Fellows Program or the school
34 of education where the intern participates in a full-time master's in-school administration program
35 shall supply the Department of Public Instruction with certification of eligible full-time interns.

36 **SECTION 3.(f)** Notwithstanding subsection (a) of this section, an assistant principal
37 shall receive in the 2017-2018 fiscal year at least as much as the assistant principal earned under
38 Section 9.2 of S.L. 2016-94, the 2016-2017 School-Based Administrator Salary Schedule.

39 **SECTION 3.(g)** Notwithstanding G.S. 143C-5-2, there is appropriated from the
40 Education Lottery Fund to the Department of Public Instruction the sum of four million one
41 hundred thirty-five thousand one hundred thirty-seven dollars (\$4,135,137) in recurring funds for
42 the 2017-2018 fiscal year to improve and raise the assistant principal pay in accordance with this
43 section.

44 45 **PART IV. PUBLIC SCHOOL CAPITAL FUND**

46 **SECTION 4.(a)** There is created the Needs-Based Public School Capital Fund to be
47 administered by the Superintendent of Public Instruction. The Fund shall be used to award grants
48 to counties designated as a development tier one area or a development tier two area, as defined by
49 G.S. 143B-437.08, to assist with their critical public school building capital needs. The
50 Superintendent of Public Instruction shall award grants to counties in accordance with the
51 following priorities:

- 1 (1) Counties designated as development tier one areas.
- 2 (2) Counties with greater need and less ability to generate sales tax and property
- 3 tax revenue.
- 4 (3) Counties with a high debt-to-tax revenue ratio.
- 5 (4) The extent to which a project will address critical deficiencies in adequately
- 6 serving the current and future student population.

7 **SECTION 4.(b)** Grant funds awarded under this section shall be subject to a matching
8 requirement from the recipient county as follows:

- 9 (1) For a county designated as a development tier one area, the grant shall not
- 10 exceed two dollars (\$2.00) in grant funds for every one dollar (\$1.00) provided
- 11 by the county.
- 12 (2) For a county designated as a development tier two area, the grant shall not
- 13 exceed one dollar (\$1.00) for every one dollar (\$1.00) provided by the county.

14 The total amount awarded to a single county in a fiscal year shall not exceed ten
15 million dollars (\$10,000,000). The total aggregate amount awarded from the Fund in a fiscal year
16 shall not exceed one hundred million dollars (\$100,000,000). Grant funds shall be used for new
17 capital projects only. Grant funds shall not be used for real property acquisition or for operational
18 lease agreements.

19 **SECTION 4.(c)** On or before April 1 of each year, a grant recipient shall submit to the
20 Superintendent of Public Instruction an annual report for the preceding year that describes the
21 progress of the project for which the grant was received. The grant recipient shall submit a final
22 report to the State Superintendent of Public Instruction within three months of the completion of
23 the project.

24 **SECTION 4.(d)** On or before May 1 of each year, the Superintendent of Public
25 Instruction shall submit a report to the Chairs of the Senate Appropriations Committee on
26 Education/Higher Education, the Chairs of the House Appropriations Committee on Education,
27 and the Fiscal Research Division. The report shall contain at least all of the following information
28 for the fiscal year:

- 29 (1) Number and description of projects awarded.
- 30 (2) Total cost of each project and amount supported by the Fund.
- 31 (3) Projections for local school administrative unit capital needs for the next 30
- 32 years, based upon present conditions and estimated demographic changes.
- 33 (4) Any legislative recommendations for improving the Fund program.

34 **SECTION 4.(e)** Notwithstanding G.S. 143C-5-2, there is appropriated from the
35 Education Lottery Fund to the Needs-Based Public School Capital Fund the sum of seventy-five
36 million dollars (\$75,000,000) in recurring funds for the 2017-2018 fiscal year to be used to
37 administer the grant program established by this section.

38 39 **PART V. EDUCATION LOTTERY CHANGES**

40 **SECTION 5.(a)** G.S. 18C-162 reads as rewritten:

41 "**§ 18C-162. Allocation of revenues.**

42 (a) The Commission shall allocate revenues to the North Carolina State Lottery Fund in
43 order to increase and maximize the available revenues for education purposes, and to the extent
44 practicable, shall adhere to the following guidelines:

- 45 (1) At least fifty percent (50%) of the total annual revenues, as described in this
- 46 Chapter, shall be returned to the public in the form of prizes.
- 47 (2) At least thirty-five percent (35%) of the total annual revenues, as described in
- 48 this Chapter, shall be transferred as provided in G.S. 18C-164.
- 49 (3) No more than eight percent (8%) of the total annual revenues, as described in
- 50 this Chapter, shall be allocated for payment of expenses of the Lottery.

1 ~~Advertising expenses shall not exceed one percent (1%) of the total annual~~
2 ~~revenues.~~
3 (4) No more than seven percent (7%) of the face value of tickets or shares, as
4 described in this Chapter, shall be allocated for compensation paid to lottery
5 game retailers.

6 (a1) Advertising costs shall not exceed two percent (2%) of the total annual revenues, as
7 described in this Chapter.

8 "

9 **SECTION 5.(b)** G.S. 18C-163(b) reads as rewritten:

10 "(b) Expenses of the lottery shall also include ~~a~~all of the following:

11 (1) A transfer of two million one hundred thousand dollars (\$2,100,000) annually
12 to the Department of Public Safety, Alcohol Law Enforcement Branch, for
13 gambling enforcement activities.

14 (2) Advertising costs."

15 **SECTION 5.(c)** G.S. 18C-164(e) reads as rewritten:

16 "(e) If the actual net revenues are less than the appropriation for that given year, then the
17 Governor ~~may~~shall transfer from the Education Lottery Reserve Fund an amount sufficient to
18 equal the appropriation by the General Assembly."

19
20 **PART VI. EFFECTIVE DATE**

21 **SECTION 6.** This act becomes effective July 1, 2017.