

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

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SENATE BILL DRS55073-MT-47A

Short Title: Education Funding Transparency.

(Public)

Sponsors: Senators Edwards and Ballard (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO INCREASE TRANSPARENCY AND ACCOUNTABILITY IN LOCAL EDUCATION FUNDING BY MODIFYING THE UNIFORM BUDGET FORMAT TO INCLUDE INFORMATION ON EXPENDITURES FROM LOCAL FUNDS BY PROGRAM REPORT CODE AND OBJECT CODE, REQUIRING THE SUPERINTENDENT TO DESCRIBE PROJECTED EXPENDITURES FROM LOCAL FUNDS BY PROGRAM REPORT CODE AND OBJECT CODE, PERMITTING LOCAL BOARDS OF EDUCATION TO SUBMIT TO COUNTY COMMISSIONERS PROJECTED EXPENDITURES FROM LOCAL FUNDS BY PROGRAM REPORT CODE AND OBJECT CODE, PERMITTING COUNTY COMMISSIONERS TO ALLOCATE LOCAL FUNDS BY PROGRAM REPORT CODE, REQUIRING THE ANNUAL INDEPENDENT AUDIT OF ACCOUNTS OF A LOCAL SCHOOL ADMINISTRATIVE UNIT TO INCLUDE A COMPARISON OF BUDGETED AND ACTUAL EXPENDITURES BY PROGRAM REPORT CODE AND OBJECT CODE, REQUIRING THE ANNUAL INDEPENDENT AUDIT REPORT TO BE FILED WITHIN THIRTY DAYS OF ITS COMPLETION, AND REQUIRING A LOCAL SCHOOL ADMINISTRATIVE UNIT TO REPORT THE RESULTS OF THE ANNUAL INDEPENDENT AUDIT TO THE STATE BOARD OF EDUCATION WITHIN SIXTY DAYS OF ITS COMPLETION.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 115C-426 is amended by inserting a new subsection to read:

"(c1) The uniform budget format shall include space for local school administrative units to provide information on expenditures from local funds, including personnel and operating expenses of individual schools, by program report code and object code. For the local current expense fund, the uniform budget format shall include a way of distinguishing expenditures supported by county appropriations from other local funds."

SECTION 2. G.S. 115C-427(a) reads as rewritten:

"(a) Before the close of each fiscal year, the superintendent shall prepare a budget for the ensuing year for consideration by the board of education. The budget shall describe projected expenditures from local funds by program report code and object code and comply in all respects with the limitations imposed by G.S. 115C-432. For the local current expense fund, the budget shall distinguish between projected expenditures that would be supported by county appropriations or other local funds."

SECTION 3. G.S. 115C-429 reads as rewritten:

"§ 115C-429. Approval of budget; submission to county commissioners; commissioners' action on budget.



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1 (a) Upon receiving the budget from the superintendent and following the public hearing
2 authorized by G.S. 115C-428(b), if one is held, the board of education shall consider the budget,
3 make such changes therein as it deems advisable, and submit the entire ~~budget~~ budget, including
4 projected expenditures from local funds by program report code and object code, as approved by
5 the board of education to the board of county commissioners not later than May 15, or such later
6 date as may be fixed by the board of county commissioners. For the local current expense fund,
7 the budget shall distinguish between projected expenditures supported by county appropriations
8 or other local funds.

9 (b) The board of county commissioners shall complete its action on the school budget
10 on or before July 1, or such later date as may be agreeable to the board of education. The
11 commissioners shall determine the amount of county revenues to be appropriated in the county
12 budget ordinance to the local school administrative unit for the budget year. The board of county
13 commissioners may, in its discretion, allocate part or all of its appropriation by purpose,
14 ~~function,~~ function, program report code, or project as defined in the uniform budget format.

15"

16 **SECTION 4.** G.S. 115C-433(b) reads as rewritten:

17 "(b) If the board of county commissioners allocates part or all of its appropriations
18 pursuant to G.S. 115C-429(b), the board of education must obtain the approval of the board of
19 county commissioners for an amendment to the budget that (i) increases or decreases
20 expenditures from the capital outlay fund for projects listed in G.S. 115C-426(f)(1) or (2), or (ii)
21 increases or decreases the amount of county appropriation allocated to a ~~purpose~~ or
22 function purpose, function, or program report code by twenty-five percent (25%) or more from
23 the amount contained in the budget ordinance adopted by the board of county commissioners:
24 Provided, that at its discretion, the board may in its budget ordinance specify a lesser percentage,
25 so long as such percentage is not less than ten percent (10%)."

26 **SECTION 5.** G.S. 115C-447(a) reads as rewritten:

27 "(a) Each local school administrative unit shall have its accounts and the accounts of
28 individual schools therein audited as soon as possible after the close of each fiscal year by a
29 certified public accountant or by an accountant certified by the Local Government Commission
30 as qualified to audit local government accounts. The auditor who audits the accounts of a local
31 school administrative unit shall also audit the accounts of its individual schools. The auditor shall
32 be selected by and shall report directly to the board of education. The audit contract shall be in
33 writing, shall include all its terms and conditions, and shall be submitted to the Secretary of the
34 Local Government Commission for his or her approval as to form, terms and conditions. The
35 terms and conditions of the audit contract shall include the scope of the audit, and the requirement
36 that upon completion of the examination the auditor shall prepare a typewritten or printed report
37 embodying (i) financial statements and his or her opinion and comments relating thereto
38 and (ii) a comparison of budgeted and actual expenditures by program report code and object
39 code. The financial statements accompanying the auditor's report shall be prepared in conformity
40 with generally accepted accounting principles. The auditor shall file a copy of the audit report
41 with the Secretary of the Local Government Commission, the State Board of Education, the board
42 of education and the board of county ~~commissioners,~~ commissioners no later than 30 days after
43 completion of the audit and shall submit all bills or claims for audit fees and costs to the Secretary
44 of the Local Government Commission for his or her approval. It shall be unlawful for any local
45 school administrative unit to pay or permit the payment of such bills or claims without this
46 approval. Each officer, ~~employee~~ employee, and agent of the local school administrative unit
47 having custody of public money or responsibility for keeping records of public financial or fiscal
48 affairs shall produce all books and records requested by the auditor and shall divulge such
49 information relating to fiscal affairs as he or she may request. If any member of a board of
50 education or any other public officer, employee or agent shall conceal, falsify, or refuse to deliver

1 or divulge any books, records, or information, with an intent thereby to mislead the auditor or
2 impede or interfere with the audit, ~~he~~that person is guilty of a Class 1 misdemeanor.

3 The State Auditor shall have authority to prescribe the manner in which funds disbursed by
4 administrative units by warrants on the State Treasurer shall be audited."

5 **SECTION 6.** G.S. 115C-451 is amended by inserting a new subsection to read:

6 "(a1) No later than 60 days after completion of an audit administered pursuant to
7 G.S. 115C-447, a local school administrative unit shall report the results of the audit to the State
8 Board of Education, including the comparison of budgeted and actual expenditures by program
9 report code and object code. The Department of Public Instruction shall post the information on
10 its Web site, categorized by local school administrative unit, in order to enhance transparency."

11 **SECTION 7.** This act is effective when it becomes law and applies beginning with
12 budget ordinances adopted after June 30, 2020.