

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2021

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SENATE BILL DRS15182-MT-6

Short Title: Education Funding Transparency.

(Public)

Sponsors: Senators Edwards, Sawyer, and Corbin (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO INCREASE TRANSPARENCY AND ACCOUNTABILITY IN LOCAL  
3 EDUCATION FUNDING BY MODIFYING THE UNIFORM BUDGET FORMAT TO  
4 INCLUDE INFORMATION ON EXPENDITURES FROM LOCAL FUNDS BY  
5 PROGRAM REPORT CODE AND OBJECT CODE, REQUIRING THE  
6 SUPERINTENDENT TO DESCRIBE PROJECTED EXPENDITURES FROM LOCAL  
7 FUNDS BY PROGRAM REPORT CODE AND OBJECT CODE, PERMITTING LOCAL  
8 BOARDS OF EDUCATION TO SUBMIT TO COUNTY COMMISSIONERS  
9 PROJECTED EXPENDITURES FROM LOCAL FUNDS BY PROGRAM REPORT CODE  
10 AND OBJECT CODE, PERMITTING COUNTY COMMISSIONERS TO ALLOCATE  
11 LOCAL FUNDS BY PROGRAM REPORT CODE, REQUIRING THE ANNUAL  
12 INDEPENDENT AUDIT OF ACCOUNTS OF A LOCAL SCHOOL ADMINISTRATIVE  
13 UNIT TO INCLUDE A COMPARISON OF BUDGETED AND ACTUAL  
14 EXPENDITURES BY PROGRAM REPORT CODE AND OBJECT CODE, REQUIRING  
15 THE ANNUAL INDEPENDENT AUDIT REPORT TO BE FILED WITHIN THIRTY  
16 DAYS OF ITS COMPLETION, AND REQUIRING A LOCAL SCHOOL  
17 ADMINISTRATIVE UNIT TO REPORT THE RESULTS OF THE ANNUAL  
18 INDEPENDENT AUDIT TO THE STATE BOARD OF EDUCATION WITHIN SIXTY  
19 DAYS OF ITS COMPLETION.

20 The General Assembly of North Carolina enacts:

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

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

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

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

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

35 **"§ 115C-429. Approval of budget; submission to county commissioners; commissioners'**  
36 **action on budget.**



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. At the time of submission of the budget, the board of education shall also  
9 submit to the board of county commissioners in writing the academic performance of the schools  
10 in the local school administrative unit, including the school performance grades of each school,  
11 any schools identified as low-performing or continually low-performing or included on the  
12 Innovative School District qualifying, watch, or warning list, and efforts by the local board of  
13 education to improve those identified schools' performance. The local board of education shall  
14 present the academic performance information at a public meeting upon the request of the board  
15 of commissioners.

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

22 ...."

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

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

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

34 "(a) Each local school administrative unit shall have its accounts and the accounts of  
35 individual schools therein audited as soon as possible after the close of each fiscal year by a  
36 certified public accountant or by an accountant certified by the Local Government Commission  
37 as qualified to audit local government accounts. The auditor who audits the accounts of a local  
38 school administrative unit shall also audit the accounts of its individual schools. The auditor shall  
39 be selected by and shall report directly to the board of education. The audit contract shall be in  
40 writing, shall include all its terms and conditions, and shall be submitted to the Secretary of the  
41 Local Government Commission for his or her approval as to form, terms and conditions. The  
42 terms and conditions of the audit contract shall include the scope of the audit, and the requirement  
43 that upon completion of the examination the auditor shall prepare a typewritten or printed report  
44 embodying (i) financial statements and his or her opinion and comments relating thereto.  
45 and (ii) a comparison of budgeted and actual expenditures by program report code and object  
46 code. The financial statements accompanying the auditor's report shall be prepared in conformity  
47 with generally accepted accounting principles. The auditor shall file a copy of the audit report  
48 with the Secretary of the Local Government Commission, the State Board of Education, the board  
49 of education and the board of county ~~commissioners,~~ commissioners no later than 30 days after  
50 completion of the audit and shall submit all bills or claims for audit fees and costs to the Secretary  
51 of the Local Government Commission for his or her approval. It shall be unlawful for any local

1 school administrative unit to pay or permit the payment of such bills or claims without this  
2 approval. Each officer, ~~employee-employee~~, and agent of the local school administrative unit  
3 having custody of public money or responsibility for keeping records of public financial or fiscal  
4 affairs shall produce all books and records requested by the auditor and shall divulge such  
5 information relating to fiscal affairs as he or she may request. If any member of a board of  
6 education or any other public officer, employee or agent shall conceal, falsify, or refuse to deliver  
7 or divulge any books, records, or information, with an intent thereby to mislead the auditor or  
8 impede or interfere with the audit, ~~he~~ that person is guilty of a Class 1 misdemeanor.

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

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

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

17 **SECTION 7.** This act is effective when it becomes law and applies beginning with  
18 budget ordinances adopted after June 30, 2021.