

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 926*

Short Title: Smart Start Fund/AB.

(Public)

Sponsors: Senator Cooper.

Referred to: Finance.

April 17, 1997

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH A TRUST FUND TO PROVIDE FUNDING FOR THE
EARLY CHILDHOOD INITIATIVES PROGRAM.

The General Assembly of North Carolina enacts:

Section 1. (a) G.S. 143B-168.12(a) reads as rewritten:

"(a) In order to receive State funds, the following conditions shall be met:

(1) The North Carolina Partnership shall have a Board of Directors
consisting of the following 39 members:

a. The Secretary of Human Resources, ex officio;

b. The Secretary of Environment, Health, and Natural Resources, ex
officio;

c. The Superintendent of Public Instruction, ex officio;

d. The President of the Department of Community Colleges, ex
officio;

e. One resident from each of the 1st, 3rd, 5th, 7th, 9th, and 11th
Congressional Districts, appointed by the President Pro Tempore
of the Senate;

f. One resident from each of the 2nd, 4th, 6th, 8th, 10th, and 12th
Congressional Districts, appointed by the Speaker of the House
of Representatives;

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- 1 g. Seventeen members, of whom four shall be members of the party
2 other than the Governor's party, appointed by the Governor;
3 h. The President Pro Tempore of the Senate, or a designee;
4 i. The Speaker of the House of Representatives, or a designee;
5 j. The Majority Leader of the Senate, or a designee;
6 k. The Majority Leader of the House of Representatives, or a
7 designee;
8 l. The Minority Leader of the Senate, or a designee; and
9 m. The Minority Leader of the House of Representatives, or a
10 designee.
- 11 (2) The North Carolina Partnership shall agree to adopt procedures for its
12 operations that are comparable to those of Article 33C of Chapter 143 of
13 the General Statutes, the Open Meetings Law, and Chapter 132 of the
14 General Statutes, the Public Records Law, and provide for enforcement
15 by the Department.
- 16 (3) The North Carolina Partnership shall oversee the development and
17 implementation of the local demonstration projects as they are selected.
- 18 (4) The North Carolina Partnership shall develop and implement a
19 comprehensive standard fiscal accountability plan to ensure the fiscal
20 integrity and accountability of State funds appropriated to it and to the
21 local partnerships. The standard fiscal accountability plan shall, at a
22 minimum, include a uniform, standardized system of accounting,
23 internal controls, payroll, fidelity bonding, chart of accounts, and
24 contract management and monitoring. The North Carolina Partnership
25 may contract with outside firms to develop and implement the standard
26 fiscal accountability plan. All local partnerships shall be required to
27 participate in the standard fiscal accountability plan developed and
28 adopted by the North Carolina Partnership pursuant to this subdivision.
- 29 (5) The North Carolina Partnership shall develop and implement a
30 centralized accounting and contract management system which
31 incorporates features of the required standard fiscal accountability plan
32 described in subdivision (4) of subsection (a) of this section. The
33 following local partnerships shall be required to participate in the
34 centralized accountability system developed by the North Carolina
35 Partnership pursuant to this subdivision:
- 36 a. Local partnerships which have significant deficiencies in their
37 accounting systems, internal controls, and contract management
38 systems, as determined by the North Carolina Partnership based
39 on the annual financial audits of the local partnerships conducted
40 by the Office of the State Auditor; and
41 b. Local partnerships which are in the first two years of operation
42 following their selection. At the end of this two-year period,
43 local partnerships shall continue to participate in the centralized

1 accounting and contract management system. With the approval
2 of the North Carolina Partnership, local partnerships may
3 perform accounting and contract management functions at the
4 local level using the standardized and uniform accounting
5 system, internal controls, and contract management systems
6 developed by the North Carolina Partnership.

7 Local partnerships which otherwise would not be required to participate
8 in the centralized accounting and contract management system pursuant
9 to this subdivision may voluntarily choose to participate in the system.
10 Participation or nonparticipation shall be for a minimum of two years,
11 unless, in the event of nonparticipation, the North Carolina Partnership
12 determines that any partnership's annual financial audit reveals serious
13 deficiencies in accounting or contract management.

14 (5.1) The North Carolina Partnership shall establish a special trust account
15 to be known as the Early Childhood Initiatives Trust Fund.
16 Contributions and earnings transferred to the North Carolina
17 Partnership pursuant to G.S. 105-269.7 shall be placed in the Trust
18 Fund. The North Carolina Partnership shall invest monies in the
19 Trust Fund only in the investments described in G.S. 147-69.2(b).
20 The North Carolina Partnership may not use funds in the Trust Fund
21 until the balance of the Trust Fund reaches one million dollars
22 (\$1,000,000). When the balance of the Trust Fund reaches one
23 million dollars (\$1,000,000), and until the balance reaches ten
24 million dollars (\$10,000,000), the North Carolina Partnership may
25 use up to fifty percent (50%) of the balance. If the balance of the
26 Trust Fund reaches ten million dollars (\$10,000,000), the North
27 Carolina Partnership may use all credited earnings and future annual
28 deposits to the Trust Fund above the balance of ten million dollars
29 (\$10,000,000). Monies from the Trust Fund shall be used only for
30 the purposes enumerated in G.S. 143B-168.15.

31 (6) The North Carolina Partnership shall develop a formula for
32 allocating direct services funds appropriated for this purpose to local
33 partnerships.

34 (7) The North Carolina Partnership may adjust its allocations on the
35 basis of local partnerships' performance assessments. In determining
36 whether to adjust its allocations to local partnerships, the North
37 Carolina Partnership shall consider whether the local partnerships
38 are meeting the outcome goals and objectives of the North Carolina
39 Partnership and the goals and objectives set forth by the local
40 partnerships in their approved annual program plans.

41 The North Carolina Partnership may use additional factors to
42 determine whether to adjust the local partnerships' allocations. These
43 additional factors shall be developed with input from the local

1 partnerships and shall be communicated to the local partnerships when
2 the additional factors are selected. These additional factors may include
3 board involvement, family and community outreach, collaboration
4 among public and private service agencies, and family involvement.

5 On the basis of performance assessments, local partnerships annually
6 shall be rated 'superior', 'satisfactory', or 'needs improvement'. Local
7 partnerships rated 'superior' shall receive, to the extent that funds are
8 available, a ten percent (10%) increase in their annual funding
9 allocation. Local partnerships rated 'satisfactory' shall receive their
10 annual funding allocation. Local partnerships rated 'needs
11 improvement' shall receive ninety percent (90%) of their annual funding
12 allocation.

13 The North Carolina Partnership may contract with outside firms to
14 conduct the performance assessments of local partnerships.

15 (8) The North Carolina Partnership shall establish a local partnership
16 advisory committee comprised of 15 members. Eight of the members
17 shall be chairs of local partnerships' board of directors, and seven shall
18 be staff of local partnerships. Members shall be chosen by the Chair of
19 the North Carolina Partnership from a pool of candidates nominated by
20 their respective boards of directors. The local partnership advisory
21 committee shall serve in an advisory capacity to the North Carolina
22 Partnership and shall establish a schedule of regular meetings.
23 Members shall serve two-year terms and may not serve more than two
24 consecutive terms. Members shall be chosen from local partnerships on
25 a rotating basis. The advisory committee shall annually elect a chair
26 from among its members.

27 (9) The North Carolina Partnership shall report (i) quarterly to the Joint
28 Legislative Commission on Governmental Operations and (ii) to the
29 General Assembly and the Governor on the use of the funds from the
30 Trust Fund established pursuant to subdivision (5.1) of this subsection,
31 and the ongoing progress of all the local partnerships' work, including
32 all details of the use to which the allocations were put, and on the
33 continuing plans of the North Carolina Partnership and of the
34 Department, together with legislative proposals, including proposals to
35 implement the program statewide."

36 (b) All contributions and earnings transferred to the Early Childhood Initiatives
37 Trust Fund established by the North Carolina Partnership pursuant to G.S. 143B-
38 168.12(a)(5.1) and any earnings from the balance of the Trust Fund shall be considered a
39 part of any private cash match requirement mandated by the General Assembly in the
40 same State fiscal year as the transfer.

41 Section 2. Article 9 of Chapter 105 of the General Statutes is amended by
42 adding a new section to read:

43 **"§ 105-269.7. Contribution by individual to Early Childhood Initiatives Trust Fund.**

1 An individual entitled to a refund of income taxes under Division II of Article 4 of
2 this Chapter may elect to contribute all or part of the refund to the Early Childhood
3 Initiatives Trust Fund created pursuant to G.S. 143B-168.15(a)(5.1) to be used to provide
4 high-quality early childhood education and development services for children and
5 families. The minimum contribution is five dollars (\$5.00) for a joint return and three
6 dollars (\$3.00) for any other return. In addition, an individual who is not entitled to a
7 refund may make a contribution to the Early Childhood Initiatives Trust Fund when filing
8 the return; payment may be made in any form allowed for payment of taxes. The
9 Secretary shall provide appropriate language and space on the individual income tax form
10 in which to make the election, including a statement that contributions are deductible to
11 the extent allowed under federal tax law. The election becomes irrevocable upon filing
12 the individual's income tax return for the taxable year. The Secretary shall, on a quarterly
13 basis, retain five percent (5%) of the contributions made pursuant to this section for the
14 costs of implementing this section and shall transmit the remainder of the contributions to
15 the State Treasurer for credit to the Early Childhood Initiatives Trust Fund. If there is no
16 Early Childhood Initiatives Trust Fund, the State Treasurer shall credit the funds to the
17 Department of Human Resources to be used only to provide high-quality early childhood
18 education and development services for children and families. The Secretary shall draw
19 from collections under Division II of Article 4 of this Chapter each fiscal year an amount
20 equal to the remainder of its costs not reimbursed by the percentage retained above,
21 including costs of redesigning and expanding the tax forms and instructions, computer
22 reprogramming, and accounting and administration."

23 Section 3. G.S. 105-269.7, as enacted by this act, is effective for taxable years
24 beginning on or after January 1, 1997. The remainder of this act is effective when it
25 becomes law.