

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 490

Short Title: Smart Start Fund/AB.

(Public)

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Sponsors: Representatives Easterling, Watson (Cosponsors); Baddour, Boyd-McIntyre, Goodwin, Hightower, Jarrell, Jeffus, Miller, and Wainwright.

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Referred to: Appropriations.

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March 10, 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;

- 1 f. One resident from each of the 2nd, 4th, 6th, 8th, 10th, and 12th  
2 Congressional Districts, appointed by the Speaker of the House  
3 of Representatives;  
4 g. Seventeen members, of whom four shall be members of the party  
5 other than the Governor's party, appointed by the Governor;  
6 h. The President Pro Tempore of the Senate, or a designee;  
7 i. The Speaker of the House of Representatives, or a designee;  
8 j. The Majority Leader of the Senate, or a designee;  
9 k. The Majority Leader of the House of Representatives, or a  
10 designee;  
11 l. The Minority Leader of the Senate, or a designee; and  
12 m. The Minority Leader of the House of Representatives, or a  
13 designee.

14 (2) The North Carolina Partnership shall agree to adopt procedures for its  
15 operations that are comparable to those of Article 33C of Chapter 143 of  
16 the General Statutes, the Open Meetings Law, and Chapter 132 of the  
17 General Statutes, the Public Records Law, and provide for enforcement  
18 by the Department.

19 (3) The North Carolina Partnership shall oversee the development and  
20 implementation of the local demonstration projects as they are selected.

21 (4) The North Carolina Partnership shall develop and implement a  
22 comprehensive standard fiscal accountability plan to ensure the fiscal  
23 integrity and accountability of State funds appropriated to it and to the  
24 local partnerships. The standard fiscal accountability plan shall, at a  
25 minimum, include a uniform, standardized system of accounting,  
26 internal controls, payroll, fidelity bonding, chart of accounts, and  
27 contract management and monitoring. The North Carolina Partnership  
28 may contract with outside firms to develop and implement the standard  
29 fiscal accountability plan. All local partnerships shall be required to  
30 participate in the standard fiscal accountability plan developed and  
31 adopted by the North Carolina Partnership pursuant to this subdivision.

32 (5) The North Carolina Partnership shall develop and implement a  
33 centralized accounting and contract management system which  
34 incorporates features of the required standard fiscal accountability plan  
35 described in subdivision (4) of subsection (a) of this section. The  
36 following local partnerships shall be required to participate in the  
37 centralized accountability system developed by the North Carolina  
38 Partnership pursuant to this subdivision:

- 39 a. Local partnerships which have significant deficiencies in their  
40 accounting systems, internal controls, and contract management  
41 systems, as determined by the North Carolina Partnership based  
42 on the annual financial audits of the local partnerships conducted  
43 by the Office of the State Auditor; and

1 b. Local partnerships which are in the first two years of operation  
2 following their selection. At the end of this two-year period,  
3 local partnerships shall continue to participate in the centralized  
4 accounting and contract management system. With the approval  
5 of the North Carolina Partnership, local partnerships may  
6 perform accounting and contract management functions at the  
7 local level using the standardized and uniform accounting  
8 system, internal controls, and contract management systems  
9 developed by the North Carolina Partnership.

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

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

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

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

42 The North Carolina Partnership may use additional factors to  
43 determine whether to adjust the local partnerships' allocations. These

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

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

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

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

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

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

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

1 **"§ 105-269.7. Contribution by individual to Early Childhood Initiatives Trust Fund.**

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

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