

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 71\*

Education/Higher Education Committee Substitute Adopted 2/24/97

Short Title: Sch. Bd. Leases of Sch. Bldgs.

(Public)

Sponsors:

Referred to:

February 10, 1997

A BILL TO BE ENTITLED

AN ACT TO ALLOW SCHOOL BOARDS TO ENTER INTO OPERATIONAL LEASES OF REAL AND PERSONAL PROPERTY FOR USE AS SCHOOL BUILDINGS, FOR THE REVIEW AND APPROVAL OF CERTAIN LEASES BY BOARDS OF COUNTY COMMISSIONERS AND THE LOCAL GOVERNMENT COMMISSION, AND TO MAKE TECHNICAL CORRECTIONS REGARDING THE REVIEW BY THE LOCAL GOVERNMENT COMMISSION OF CERTAIN LEASES, LEASE PURCHASE CONTRACTS, AND INSTALLMENT PURCHASE CONTRACTS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 115C-521(d) reads as rewritten:

"(d) Local boards of education shall make no contract for the erection or repair of any school building unless the site upon which it is located is owned in fee simple by the board: Provided, that the board of education of a local school administrative unit, with the approval of the board of county commissioners, may appropriate funds to aid in the establishment of a school facility and the operation thereof in an adjoining local school administrative unit when a written agreement between the boards of education of the administrative units involved has been reached and the same recorded in the minutes of the boards, whereby children from the administrative unit making the appropriations shall be entitled to attend the school so established.

In all cases where title to property has been vested in the trustees of a special charter district which has been abolished and has not been reorganized, title to the property

1 shall be vested in the local board of education of the county embracing the former  
2 special charter district."

3 Section 2. Article 37 of Chapter 115C of the General Statutes is amended by  
4 adding a new section to read:

5 **"§ 115C-530. Operational leases of school buildings and school facilities.**

6 (a) Local boards of education may enter into operational leases of real or  
7 personal property for use as school buildings or school facilities. Operational leases for  
8 terms of less than three years shall not be subject to the approval of the board of county  
9 commissioners. Operational leases for terms of three years or longer, including periods  
10 that may be added to the original term through the exercise of options to renew or  
11 extend, are permitted provided:

12 (1) The budget resolution includes an appropriation authorizing the  
13 current fiscal year's portion of the obligation;

14 (2) An unencumbered balance remains in the appropriation sufficient to  
15 pay in the current fiscal year the sums obligated by the lease for the  
16 current fiscal year; and

17 (3) The leases are approved by a resolution adopted by the board of  
18 county commissioners. If an operational lease is approved by the  
19 board of county commissioners, in each year the county  
20 commissioners shall appropriate sufficient funds to meet the amounts  
21 to be paid during the fiscal year under the lease.

22 For purposes of this section, an operational lease is defined according to generally  
23 accepted accounting principles.

24 (b) Local boards of education may enter into contracts for the repair or  
25 renovation of leased property provided the budget resolution includes an appropriation  
26 authorizing the obligation and an unencumbered balance remains in the appropriation  
27 sufficient to pay in the current fiscal year the sums obligated by the transaction for the  
28 current fiscal year. Contracts for renovation that are subject to the bidding requirements  
29 of G.S. 143-129(a) and which do not constitute continuing contracts for capital outlay  
30 must be approved by the local board of county commissioners.

31 (c) Operational leases and contracts entered into under this section are subject to  
32 approval by the Local Government Commission under Article 8 of Chapter 159 of the  
33 General Statutes if they meet the standards set out in G.S. 159-148(a)(1), 159-148(a)(2),  
34 and 159-148(a)(3). For purposes of determining whether the standards set out in G.S.  
35 159-148(a)(3) have been met, only the five hundred thousand dollar (\$500,000)  
36 threshold shall apply."

37 Section 3. G.S. 153A-158.1(d) reads as rewritten:

38 "(d) Board of Education May Contract for Construction. – Notwithstanding the  
39 provisions of G.S. 115C-40 and G.S. 115C-521, a local board of education may enter  
40 into contracts for the erection ~~or repair~~ of school buildings upon sites owned in fee  
41 simple by one or more counties in which the local school administrative unit is located."

42 Section 4. G.S. 115C-528(f) reads as rewritten:

43 "(f) A contract entered into under this section is subject to Article 8 of Chapter  
44 159 of the General Statutes, except for G.S. 159-148(a)(4) and (b)(2). For purposes of

- 1 determining whether the standards set out in G.S. 159-148(a)(3) have been met, only the  
2 five hundred thousand dollar (\$500,000) threshold shall apply."  
3           Section 5. This act is effective when it becomes law.